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Official Gazette dated 17/05/2014, numbered 29003

ELECTRICITY MARKET IMPORT AND EXPORT REGULATION

CHAPTER ONE Purpose, Scope, Legal Basis and Definitions

Purpose

ARTICLE 1 - (1) The purpose of this Regulation is to determine the procedures and principles regarding activities of import and/or export of electricity as well as the principles regarding allocation of capacity of international interconnection lines and use of international interconnection lines for cross-border trade in the electricity market.

Scope

ARTICLE 2 - (1) This Regulation covers the procedures and principles regarding import and/or export of electricity, the rights and obligations of legal entities engaged in import and/or export activities, as well as the principles regarding the use and allocation of capacity of international interconnection lines.

Legal basis

ARTICLE 3 - (1) This Regulation has been prepared based on Article 12 of the Electricity Market Law No. 6446, dated 14/03/2013.

Definitions and abbreviations

ARTICLE 4 - (1) The following definitions shall be ascribed to the terms used in this Regulation:

a)¹ Reduction: Reduction of the Physical Transmission Rights allocated to market participants by the System Operator prior to provision of the trading program in emergency situations where the System Operator needs to take prompt action, further to the Electricity Network Regulation published in the Official Gazette dated 28/05/2014 and numbered 29013 *bis*;

b) Ministry: The Ministry of Energy and Natural Resources;

c) President: President of the Energy Market Regulatory Board;

ç) Distribution: Conveyance of electricity through 36 kV or lower voltage lines;

d) Distribution System: Electricity distribution facilities and network operated by a distribution company within the distribution zone designated in its license;

e) Distribution Company: Legal entity engaged in electricity distribution within a designated zone;

f) Interconnection: Connection of the national electricity system, comprising the entirety of the transmission and distribution systems, to the electricity system of another country;

¹ Amended pursuant to Regulation published in the Official Gazette dated 24 April 2021 and numbered 31464.

g) Interconnection Line: The energy transmission and distribution facility that enables the connection of the national electricity system, comprising the entirety of the transmission and distribution systems, to the electricity system of another country;

 \check{g})² Interconnection Operation Agreement: Agreement executed between the System Operator and the transmission or distribution company of the other country with which interconnection is established, governing the principles and procedures regarding the operation of the interconnection line;

h) Interconnection Capacity: The capacity of cross-border electricity transferred through the interconnection between Turkey and each country;

1)³ Interconnection Usage Agreement: Agreement executed between the System Operator and a license holder legal entity receiving service over international interconnection lines operated by the System Operator, governing the principles and procedures regarding the use of interconnection line;

i)⁴ ENTSO-E (The European Network of Transmission System Operators for Electricity): As a non-profit international organization and as specified in the Regulation (EC) No. 714/2009 of the European Union on Cross-Border Exchanges in Electricity, an international organization established to maintain cooperation among all Transmission System Operators to complete integration within the internal electricity market at Community level, improve cross-border exchanges in electricity, and ensure optimal management, coordinated operation and provide security of supply of the European electricity transmission network;

j)⁵ Tender documents: Documents regarding allocation of line capacity and use of such capacity, prepared by the System Operator or the international organizations participated in pursuant to the fourth paragraph of Article 8 of the Law;

k) Import with Condition to Export: Import of electricity for the purpose of export within the same settlement period;

1)⁶ Secondary Market in Physical Transmission Right: A mechanism that enables the transfer of Physical Transmission Rights in synchronous parallel connections, which are allocated to a Physical Transmission Right owner through tenders or transfer of Physical Transmission Right, to another supply company or an export-side generation license owner;

m) Transmission: Conveyance of electricity via lines with a voltage level higher than 36 Kv;

n)⁷ Compensation Mechanism among Transmission System Operators: Mechanism requiring payment of a fee to the Transmission System Operator, whose transmission system is used in transit; corresponding to a suitable portion of the forward-looking long-term costs, losses, new infrastructure investments and existing infrastructure costs regarding realization of cross-border flows, based on the physical flows in the national transmission systems where cross-border physical flow begins (source) and ends (destination) with respect to cross-border physical flows between the Transmission System Operators connected to each other via synchronous parallel connection;

o) Transmission facility: Facilities from the terminal pole following the switchyard of a generation or consumption facility where the generation and consumption facilities are connected

² Amended pursuant to Regulation published in the Official Gazette dated 24 April 2021 and numbered 31464.

³ Amended pursuant to Regulation published in the Official Gazette dated 24 April 2021 and numbered 31464.

⁴ Amended pursuant to Regulation published in the Official Gazette dated 24 April 2021 and numbered 31464.

⁵ Amended pursuant to Regulation published in the Official Gazette dated 24 April 2021 and numbered 31464.

⁶ Amended pursuant to Regulation published in the Official Gazette dated 24 April 2021 and numbered 31464.

⁷ Amended pursuant to Regulation published in the Official Gazette dated 24 April 2021 and numbered 31464.

at a voltage level higher than 36 kV to the connection points of the distribution facilities including medium voltage feeders of transmission switchyards;

ö)⁸ Applicable Legislation: Laws, Presidential decrees, Presidential decisions, regulations, licenses, communiqués, circulars and Board decisions regarding the electricity market;

p) Law: Electricity Market Law No. 6446;

r) Congestion: The case where the total demand of market participants for cross-border trade in electricity is greater than the Capacity Available for Use (KAK) in the allocation of interconnection capacities connecting the national electricity systems;

s) Congestion Management: Methods for allocating Capacities Available for Use (KAK) in interconnection line or lines to the use of applicants or some of the applicants, in case of congestion;

s)⁹ Congestion Management Fee: Fee paid to the System Operator or the international organizations participated in pursuant to the fourth paragraph of Article 8 of the Law, in accordance with the provisions of this Regulation, in case there is a congestion in the allocation of the interconnection line capacity to be used for conveyance of electricity within the framework of import and/or export activities;

t) Utilization Period: The period during which the interconnection lines' capacities are allocated to participants;

u)¹⁰ Utilization Factor: The ratio, in percentage (%), of the total electricity transferred through a line within a certain period of time as a result of the actual use of the interconnection lines to which capacity is allocated, to the total volume of energy required to be transferred through that line in case all of the capacity allocated to such line is used within the same period of time;

ü)¹¹ Capacity Available for Use (KAK): The volume of electric power derived by subtracting the Allocated Capacity from the Net Transfer Capacity, which is calculated on the basis of a specific interconnection line or border, and offered to the use of market participants, as expressed in megawatt (MW) terms;

v) Board: Energy Market Regulatory Board;

y) Authority: Energy Market Regulatory Authority;

z)¹² Net Transfer Capacity (NTK): The maximum volume of electric power, as expressed in megawatt (MW) terms, that can be transferred between the national electricity system and the electricity system of a neighboring country, and calculated on the basis of a specific interconnection line or border, in view of all safety criteria implemented in both of said electrical systems and the uncertainties that may occur in the future;

aa) Market: Electricity market comprising of generation, transmission, distribution, market operating, wholesale, retail sale, import and export activities, and the business and transactions related to these activities;

bb) Free zone: Zones established per the decision of the Council of Ministers in accordance with the Free Zones Law No. 3218, dated 06/06/1985;

cc) Captive consumer: Individuals or legal entities that may purchase electricity and/or capacity only from the assigned supply company within their region;

çç) Eligible consumer: Individuals or legal entities eligible to choose their supplier due to having an electricity consumption amount higher than the threshold designated by the Board, or

⁸ Amended pursuant to Regulation published in the Official Gazette dated 24 April 2021 and numbered 31464.

⁹ Amended pursuant to Regulation published in the Official Gazette dated 24 April 2021 and numbered 31464.

¹⁰ Amended pursuant to Regulation published in the Official Gazette dated 24 April 2021 and numbered 31464.

¹¹ Amended pursuant to Regulation published in the Official Gazette dated 24 April 2021 and numbered 31464.

¹² Amended pursuant to Regulation published in the Official Gazette dated 24 April 2021 and numbered 31464.

that are directly connected to the transmission system, or qualify as the legal entity of an organized industrial zone;

dd) Cross-Border Flow: Physical electricity flow in each transmission or distribution network resulting from the electricity exchange between generators and/or consumers within the boundaries of a transmission or distribution network with generators and/or consumers outside the boundaries of the transmission or distribution network, or as a result of synchronous parallel connection between the transmission systems of other countries that are connected to the synchronous network;

ee)¹³ System Operator: Each distribution company for a network of 36 kV and lower voltage, TEİAŞ for a network higher than 36 kV voltage;

ff)¹⁴ Allocated Capacity (TEK): The total volume of capacities, as expressed in megawatt (MW) terms, that have been allocated per international agreements concluded prior to the effective date of this Regulation or within the scope of this Regulation, or allocated due to lines built by participants;

gg) Tariff: Arrangements covering prices, terms and conditions in relation to transmission, distribution and sale of electricity and/or capacity, and related services;

ğğ) Supply: Wholesale or retail sale of electricity and/or capacity;

hh) Supplier: Generation companies supplying electricity and/or capacity, and company holding a supply license;

11) Supplier company: Legal entity engaged in activities of wholesale and/or retail sale, import, export and trade of electricity and/or capacity;

ii) TEİAŞ: Turkish Electricity Transmission Corporation;

jj) Facility: Facility, network or equipment through which activities of electricity generation, transmission or distribution are being carried out or are commissioned for said activities to be carried out;

kk) TETAS: Turkish Electricity Trade and Contracting Corporation;

ll)¹⁵ Physical Transmission Right (FİH): The right to use interconnection capacity, as expressed in megawatt (MW) terms, for electricity transfers;

mm)¹⁶ Transfer of Physical Transmission Right: Transfer of the Physical Transmission Rights held through the Secondary Physical Transmission Right Market, excluding the capacity allocated to interconnection lines built by said legal entities;

nn)¹⁷ Physical Transmission Right Holder: Cross-border tender participant holding Physical Transmission Right through tender or the Secondary Physical Transmission Right Market; or supply or generation license holder legal entity holding Physical Transmission Right through allocation of capacity to interconnection lines built by said legal entities;

oo) Wholesale purchase: Purchase of electricity and/or capacity for resale;

öö) Wholesale: Sale of electricity and/or capacity for resale;

pp) Consumer: One that purchases electricity for its own use;

rr) International interconnection: Interconnection based on operating the national electricity system with the electricity systems of other countries by implementing either synchronous parallel, asynchronous parallel, unit routing, or isolated zones methods;

¹³ Amended pursuant to Regulation published in the Official Gazette dated 24 April 2021 and numbered 31464.

¹⁴ Amended pursuant to Regulation published in the Official Gazette dated 24 April 2021 and numbered 31464.

¹⁵ Amended pursuant to Regulation published in the Official Gazette dated 24 April 2021 and numbered 31464.

¹⁶ Amended pursuant to Regulation published in the Official Gazette dated 24 April 2021 and numbered 31464.

¹⁷ Amended pursuant to Regulation published in the Official Gazette dated 24 April 2021 and numbered 31464.

ss) Settlement period: Settlement periods specified in the Electricity Market Balancing and Settlement Regulation published in the Official Gazette dated 14/04/2009 and numbered 27200;

şş) Generation: Transformation of energy resources into electricity at electricity generation facilities;

tt) Generation company: A legal entity subject to private law provisions that is engaged in electricity generation at a generation facility or facilities owned, leased, or acquired through financial lease or whose operating rights has been transferred to it, and the sale of the electricity it generates;

uu) Generation facility: Facilities where electricity is generated;

üü)¹⁸ EÜAŞ: Electricity Generation Corporation.

(2) Terms and concepts that are used in this Regulation but not defined herein shall have the meanings and scope attributed to them in the relevant legislation.

CHAPTER TWO

Scope of Import and/or Export Activities and Principles of Implementation

Legal entities that may engage in import and/or export activities

ARTICLE 5 - (1) Import and/or export of electricity from or to countries meeting the international interconnection condition may be conducted subject to Board approval, subject to affirmative opinion of the Ministry. The following entities can engage in the below stated activities, provided that these are specified in their licenses:

a) Private sector companies holding a supply license can engage in electricity import and/or export activities;

b)¹⁹ EÜAŞ can engage in electricity import and/or export activities in accordance with electricity import or export agreements executed under intergovernmental agreements, and import and export activities within the scope of cross-border electricity swaps;

c)²⁰ Generation license holder legal entities can engage in electricity export activity, provided that they do not exceed the total installed capacity of their generation facility in operation.

(2) The import activity of the legal entities specified in the first paragraph is regulated within the scope of supply licenses, and the export activity of said legal entities is regulated within the scope of supply or generation licenses, and these do not require the issuance of a separate license.

Methods to be applied in the import and/or export of electricity

ARTICLE 6 - (1) Electricity can be imported in the following cases:

a) Provided that the national electricity system can operate in synchronous parallel with the electricity system of the country from which electricity will be imported;

b) Operating a generation facility or one or more units of a generation facility in the electricity system of the country from which electricity will be imported, in parallel with the national electricity system in accordance with the applicable legislation regarding transmission network and/or distribution network in the electricity market;

c) Establishing asynchronous parallel connection;

ç) Feeding an isolated zone to be established within the country via interconnection lines within the framework of Article 22.

¹⁸ Inserted pursuant to Regulation published in the Official Gazette dated 24 April 2021 and numbered 31464.

¹⁹ Amended pursuant to Regulation published in the Official Gazette dated 15 June 2019 and numbered 30802.

²⁰ Amended pursuant to Regulation published in the Official Gazette dated 24 April 2021 and numbered 31464.

(2) Electricity can be exported in the following cases:

a) Provided the national electricity system can operate in synchronous parallel with the electricity system of the countries to which electricity will be exported;

b) Operating a generation facility or one or more units of a generation facility within the borders of the country in parallel with the electricity system of the country to which electricity will be exported;

c) Establishing asynchronous parallel connection;

ç) Feeding an isolated zone to be established in the country to which electricity will be exported via interconnection lines.

Applications for import and/or export activities on synchronous parallel connections

ARTICLE 7^{21} - (1) Interconnection lines over which electricity can be imported and/or exported shall be announced by the System Operator subject to the opinion of the Ministry.

(2)²² Supply license holder companies wishing to engage in import and/or export activities by way of using the interconnection line capacity for synchronous parallel connections can participate in the tenders regarding capacity allocations announced by the System Operator or the international organizations participated in pursuant to the fourth paragraph of Article 8 of the Law, and provided they become entitled to capacity allocation, they can import and/or export electricity subject to the allocated amount and duration.

 $(3)^{23}$ Generation license holder companies wishing to engage in export activities by way of using the interconnection line capacity for synchronous parallel connections can participate in tenders regarding capacity allocations announced by the System Operator or the international organizations participated in pursuant to the fourth paragraph of Article 8 of the Law, and in case they become entitled to capacity allocation, they can export electricity subject to the allocated amount and duration.

 $(4)^{24}$ The collateral amount to be provided within the scope of import and/or export by way of using the interconnection line capacity for synchronous parallel connections shall be determined and announced by the System Operator. Companies wishing to engage in import/export by way of using the interconnection line capacity for synchronous parallel connections and that are entitled to such right, shall submit a letter of guarantee in the designated amount to the System Operator.

(5) Persons who have obtained Physical Transmission Right in countries where synchronous parallel connection is established, shall enter into agreement with the legal entities specified in the first paragraph of Article 5 in order to conduct cross-border electricity trade with Turkey.

Applications for import and/or export activities on connections that are not synchronous parallel

ARTICLE 8²⁵ – (1) In license amendment applications filed to engage in import activities in connections that are not synchronous parallel, the following information and documents shall be submitted to the Authority:

a) Country of origin for import;

b) The type or types of fuel used in the generation of electricity to be imported;

²¹ Amended pursuant to Regulation published in the Official Gazette dated 24 April 2021 and numbered 31464.

²² Amended pursuant to Regulation published in the Official Gazette dated 15 June 2019 and numbered 30802.

²³ Amended pursuant to Regulation published in the Official Gazette dated 15 June 2019 and numbered 30802.

²⁴ Amended pursuant to Regulation published in the Official Gazette dated 15 June 2019 and numbered 30802.

²⁵ Amended pursuant to Regulation published in the Official Gazette dated 24 April 2021 and numbered 31464.

c) The maximum power as expressed in megawatt (MW) terms and the annual amount as expressed in kilowatt-hours (kWh) terms, of the electricity to be imported;

ç) Anticipated start date and duration of import activity;

d) Delivery points at the country border of the electricity to be imported;

e) The method to be used in import;

f)²⁶ A preliminary agreement, protocol or letter of intent executed with the relevant Ministry and/or the competent Authority regarding electricity import in the counterparty country, which includes the title of the relevant company and the information specified in this paragraph, and states that the relevant interconnection line can be used, as well as a preliminary agreement, protocol or letter of intent executed with the counterparty company, stating that said energy is supplied or will be supplied. In addition, in case of submission of an Agreement preceding the application that remains in force during the term for which the application is made, a letter of undertaking in writing to be submitted by the applicant stating that said Agreement is valid;

(g) Documentation evidencing that the license amendment fee has been deposited.

(2) The following information and documents shall be submitted to the Authority in license amendment applications filed to engage in export activities in connections that are not synchronous parallel:

a) Country of destination for export;

b) The maximum power as expressed in megawatt (MW) terms and the annual amount as expressed in kilowatt-hours (kWh) terms, of the electricity to be exported;

c) Anticipated start date and activity period for export activity;

ç) Delivery points at the country border of the electricity to be exported;

d) The method to be used in export;

e)²⁷ A preliminary agreement, protocol or letter of intent executed with the relevant Ministry and/or the competent authority regarding electricity export in the counterparty country, which includes the title of the relevant company and the information specified in this paragraph, and states that the relevant interconnection line can be used. In addition, in case of submission of an Agreement preceding the application, that remains in force during the term for which the application is made, a letter of undertaking in writing to be submitted by the applicant stating that said Agreement is valid;

(f) Documentation evidencing that the license amendment fee has been deposited.

(3) The preliminary agreement, protocol, or letter of intent executed with the relevant Ministry and/or the competent Authority regarding electricity import/export in the counterparty country shall be certified by the Turkish Consulate in said country or in accordance with the provisions of the Convention Abolishing the Requirement of Legalisation for Foreign Public Documents ratified by the Law No. 3028, dated 20/06/1984, which has been drafted within the framework of the Hague Conference on Private International Law.

(4) If all of the information and documents specified in this Article are fully submitted to the Authority:

a) In case of application by supply license or generation license holder legal entities; to engage in import and/or export activities for supply license holder legal entities, and export activities for generation license holder legal entities; from or to countries for which international interconnection condition has been met through established or to be established lines, the Authority shall seek the opinion of the Ministry, and for technical issues, the opinion of the System Operator;

²⁶ Amended pursuant to Regulation published in the Official Gazette dated 28 December 2014 and numbered 29219.

²⁷ Amended pursuant to Regulation published in the Official Gazette dated 28 December 2014 and numbered 29219.

b) If said opinions are affirmative, the application shall be announced on the Authority's website. Within fifteen days following the announcement, supply license holder legal entities wishing to engage in import and/or export activities by way of using the same line and generation license holder legal entities wishing to engage in export activities by way of using the same line may also apply to the Authority. New applications for the same line will not be accepted until the applications filed on time are finalized;

 $c)^{28}$ If there are multiple license amendment applications for the same line and congestion arises, the applications shall be notified to each System Operator and applicant in order to be finalized in accordance with the provisions of this Regulation. System Operator shall finalize the competition to be held among the applicants and the transactions regarding capacity allocation within forty-five days within the framework of the provisions of this Regulation, and shall notify the Authority of the result to ensure that a Board decision is taken. If the applicant who won the competition fails to apply to the Authority for license amendment in due time together with the documents specified in Article 9, this situation shall be notified to the System Operator and the process shall be initiated to adopt a Board decision regarding the legal entity that won the second place;

c) If it is not possible to operate the national electricity system in synchronous parallel with the electricity system of the country from or to which electricity will be imported or exported, the opinion of the Ministry shall be taken as basis as to which one of import or export activities shall be carried out.

Review, evaluation, and finalization of applications on connections that are not synchronous parallel

ARTICLE 9 – $(1)^{29}$ The license holder legal entity, whose conduct of import and/or export activities for connections that are not synchronous parallel is approved by a Board decision, shall be notified in writing that an activity permit will be granted subject to submission to the Authority of the agreements in accordance with the documents submitted during the application for the anticipated import and/or export activities and the interconnection usage agreement and said obligation (to submit the aforementioned agreements) has to be fulfilled within thirty days. Said period may be extended by Board decision. The agreements to be submitted shall be certified by the Turkish Consulate in said country or in accordance with the provisions of the Convention Abolishing the Requirement of Legalisation for Foreign Public Documents ratified by Law No. 3028, which has been drafted within the framework of the Hague Conference on Private International Law. In case of fulfillment of these obligations, the provisions permitting import and/or export activities shall be annotated to the license of each legal entity by the Authority and notified to each System Operator to be announced on its website.

(2)³⁰ In case a license amendment application is filed with the Authority for the continuation of the activity prior to the expiry of the permit granted for import and/or export activities for connections that are not synchronous parallel, yet the application process could not be completed on time, the Board may allow the continuation of the activity if necessary and to ensure that said import and/or export activities are not interrupted, until the procedures to finalize the application filed to the Authority for import and/or export of electricity are complete.

²⁸ Amended pursuant to Regulation published in the Official Gazette dated 15 June 2019 and numbered 30802.

²⁹ Amended pursuant to Regulation published in the Official Gazette dated 24 April 2021 and numbered 31464.

³⁰ Inserted pursuant to Regulation published in the Official Gazette dated 28 December 2014 and numbered 29219.

Process regarding balancing mechanism in import and export activities

ARTICLE 10^{31} - (1) Activities regarding the balancing mechanism, which covers license holder legal entities that become entitled to line capacity allocation in order to import and/or export by way of using the interconnection line capacity and/or companies holding import and/or export right, which executed an energy purchase/sale agreement with persons or organizations that obtained Physical Transmission Right through tenders conducted in the counterparty country, as well as settlement transactions, shall be carried out in accordance with the provisions of the applicable legislation on balancing and settlement.

CHAPTER THREE

License Provisions Regarding Import and/or Export Activities and Free Zones

Termination of import and/or export activities in connections other than synchronous parallel prior to expiry

ARTICLE 11³² - (1) If a legal entity engaged in import and/or export activities through connections other than synchronous parallel connections applies to the Authority to request termination of the import and/or export activities that it carries out under its license prior to expiry thereof, said request shall be notified to each System Operator by the Authority, and shall be finalized by way of license amendment further to a Board Decision.

Obligations of the license holder legal entity regarding import and/or export activities

ARTICLE 12 - (1)³³ An Interconnection Usage Agreement shall be executed between the System Operator and the legal entities that become entitled to use interconnection line capacity. Standard interconnection usage agreements, general provisions of which are approved by the Board, shall be used with respect to connections that are not synchronous parallel. In case of amendment of the general provisions of said agreement by the Board, an agreement containing the new general provisions shall be executed between the System Operator and the right holder legal entities within one month from the notification to be made to the legal entities by the System Operator; or alternatively, amended provisions may take effect through execution of a supplemental agreement regarding provisions amended by the Board within one month from the date of the notification to be made by the System Operator; whichever the System Operator may deem fit. The interconnection usage agreements pertaining to legal entities that do not apply for timely execution of interconnection usage agreements despite being notified by the System Operator shall be terminated by the System Operator, and the right to use interconnection capacity of said entities shall terminate accordingly. In synchronous parallel connections, standard interconnection usage agreements prepared by the System Operator shall be executed between the System Operator and the legal entities that become entitled to use interconnection line capacity. In case new interconnection lines are built by legal entities within the scope of Article 21, a Facility Agreement prepared by each System Operator shall also be executed between the System Operator and the legal entities that become entitled to use interconnection line capacity.

(2)³⁴ License holder legal entities shall make the notifications specified in the Interconnection Usage Agreement to the System Operator regarding their cross-border electricity

³¹ Amended pursuant to Regulation published in the Official Gazette dated 24 April 2021 and numbered 31464.

³² Amended pursuant to Regulation published in the Official Gazette dated 24 April 2021 and numbered 31464.

³³ Amended pursuant to Regulation published in the Official Gazette dated 24 April 2021 and numbered 31464.

³⁴ Amended pursuant to Regulation published in the Official Gazette dated 24 April 2021 and numbered 31464.

trade activities within the framework of import and/or export activities, and license holders to which capacity is allocated at the transmission voltage level shall pay the transmission fees calculated over the tariff pertaining to the region that the transformer center to which the interconnection line specified in the tariff charts approved by the Board is connected is located. License holders to which capacity is allocated at the distribution voltage level shall pay the distribution fees calculated over the tariff of the commercial subscriber group pertaining to the consumers that purchase energy from a private supplier at the medium voltage level specified in the tariff charts approved by the Board, to the relevant System Operator during the allocation period.

(3)³⁵ If TEİAŞ is involved in the compensation mechanism related to transit flows between transmission system operators, it shall make the necessary payments and collect the payments made to it in accordance with the mechanism in place. Payments to be made by TEİAŞ in accordance with said compensation mechanism shall be reflected to the tariffs upon approval of the methodology and tariff approved by the Board.

(4) The assigned supply companies shall comply with the provisions of the applicable legislation on the electricity market tariffs while selling the electricity they import to captive consumers.

(5) License holder legal entities shall submit all types of additional information and documents regarding import and/or export activities, if deemed necessary by the Authority.

(6) Each license shall contain the provisions on the conditions under which electricity import and/or export activities can be restricted by the Board.

Free zones

ARTICLE 13 - (1) The sale of electricity to free zones from within the country shall be considered as a sale made to consumers in terms of the domestic electricity market and the provisions of this Regulation shall not apply.

Regional balancing market transactions in synchronous parallel connections

ARTICLE 14³⁶ - (1) System Operator's cross-border electricity exchange with the relevant transmission systems via synchronous parallel connection with regard to the operation of the regional balancing market, shall not fall within the scope of import and/or export activities.

CHAPTER FOUR General Principles Regarding Capacity Allocation in Interconnection Lines

Allocation of interconnection line capacities

³⁵ Amended pursuant to Regulation published in the Official Gazette dated 24 April 2021 and numbered 31464.

³⁶ Amended pursuant to Regulation published in the Official Gazette dated 24 April 2021 and numbered 31464.

ARTICLE 15³⁷ - $(1)^{38}$ Allocation of interconnection line capacities, tracking of interconnection line usage and congestion management in these lines shall be carried out by the System Operator.

(2) TEİAŞ may transfer its rights and obligations under the first paragraph to international organizations in whole or in part within the framework of the agreements that it will execute with said international organizations in accordance with the fourth paragraph of Article 8 of the Law and subject to Board approval.

Announcement of interconnection line capacities

ARTICLE 16³⁹ - (1) The System Operator shall announce the information on the capacities to become available in the following cases upon obtaining the necessary permissions and approvals:

a) Commissioning of an interconnection line;

b) Cease of capacity usage in an interconnection line for cause;

c) Capacity increase in an interconnection line in operation for any reason.

(2) The announcements made by the System Operator regarding the interconnection lines under the first paragraph shall at least include:

a) Information about the safety and operational standards of the lines, and the methods used for NTK calculation;

b) TEK values and how these capacities are being used;

c) KAK values made available for the use of the market taking into account the network and environmental conditions, along with the terms of use.

Designation of procedures and principles regarding interconnection line capacity allocation

ARTICLE 17⁴⁰ – (1) Net transfer capacities, capacities available for use, allocated capacities, anticipated allocation period and amounts of capacity available for use on international interconnection lines shall be designated and announced by the System Operator on a border or line basis, taking into account system congestions and market conditions. System Operator shall observe the following principles in designating and implementing the interconnection line capacity allocation method:

a) Non-discrimination among equal parties;

b) Development of competition;

c) Transparency;

and in case of congestion, the interconnection line capacity shall be offered to the use of the market participants through a competition.

(2) The Board may change the competition method to be applied with respect to capacity allocation for interconnection lines, in accordance with the principles enumerated in the first paragraph.

(3) The allocation period of an interconnection line capacity to a participant cannot exceed two years at a time, except for those lines established by license holder legal entities that acquire import and/or export right.

³⁷ Amended pursuant to Regulation published in the Official Gazette dated 28 December 2014 and numbered 29219.

³⁸ Amended pursuant to Regulation published in the Official Gazette dated 24 April 2021 and numbered 31464.

³⁹ Amended pursuant to Regulation published in the Official Gazette dated 24 April 2021 and numbered 31464.

⁴⁰ Amended pursuant to Regulation published in the Official Gazette dated 24 April 2021 and numbered 31464.

(4) In case new interconnection lines are established by license holder legal entities that acquire import and/or export rights, the procedures and principles regarding direct allocation of capacity to become available to said legal entity shall be designated by the Board.

(5) Agreements executed between license holder legal entities that will participate in the capacity allocation competition for synchronous parallel lines and legal entities in other countries shall not be taken into consideration in interconnection line capacity allocation.

(6) In the capacity allocation process, technical information, metering locations and other information that may be necessary regarding the interconnection line shall be provided and announced by the System Operator to the legal entities applying for the use of the said line.

(7) The capacity allocated in synchronous parallel connections can be sold in secondary markets to other license holder legal entities authorized to engage in import and/or export activities for said interconnection line, provided that the System Operator is informed and its prior consent is obtained. The procedures and principles regarding the secondary Physical Transmission Right Market shall be prepared by TEİAŞ and submitted to the approval of the Board.

(8) In case the relevant legal entities are unable to use their allocated capacity rights or there is reduction in their capacity due to the System Operator's failure to fulfill its obligations, the portion of the congestion management fee paid to the System Operator corresponding to the unavailable period shall be refunded to the relevant legal entity.

Congestion management methods and rules on congestion management fees⁴¹

ARTICLE 18⁴² - (1) In the capacity allocation of interconnection lines, it is essential to provide the highest possible capacity to the market participants without endangering network security of the national electricity system and the electricity systems of neighboring countries and, in compliance with the operating standards of the national electricity system and the electricity system of neighboring countries.

(2) No congestion management fee shall be charged if, there is less demand than the capacity announced for the interconnection line in the capacity allocation competition to be held.

(3) In capacity allocation made by way of holding a competition, if idle capacity becomes available due to cancellation of part of the capacity allocation during the utilization period for any reason, this situation shall neither affect the rights of other participants using the existing interconnection line capacity nor the congestion management fees.

(4) If the right to use interconnection line capacity is lost as a result of the assessment of utilization factor, non-performance of other obligations, cancellation of the license of the right holder legal entity, cancellation of same upon expiry or termination of the export and/or import activity by the participant prior to expiry, the obligation to pay congestion management fee of the legal entity shall survive to the extent applicable.

Use of revenues from congestion management fees and compensation mechanism related to transit flow among transmission system operators ⁴³

⁴¹ Amended pursuant to Regulation published in the Official Gazette dated 24 April 2021 and numbered 31464.

⁴² Amended pursuant to Regulation published in the Official Gazette dated 24 April 2021 and numbered 31464.

⁴³ Amended pursuant to Regulation published in the Official Gazette dated 24 April 2021 and numbered 31464.

ARTICLE 19⁴⁴ - (1) Revenues from congestion management fees and compensation mechanism among transmission system operators shall primarily be used for:

a) Establishment of new interconnection lines;

b) Establishment of reinforcement of transmission/distribution systems required to increase the amount of NTK of existing interconnection lines;

c) Financial needs and other purposes of system operators approved by the Board.

Rules to be observed in use of interconnection line capacity

ARTICLE 20⁴⁵ - (1) In synchronous parallel connections; Physical Transmission Right holders who fail to notify that they will use all or part of the capacity amount within the notification period specified in the tender document, which were allocated or taken over in the Secondary Physical Transmission Right Market or allocated as a result of the establishment of an interconnection line, shall lose their utilization right over the unused portion of said capacity. This capacity can be re-tendered in accordance with the tender periods defined in the tender document. Payment obligations arising from allocation made to legal entities who have lost their utilization rights regarding the capacity allocated under this paragraph shall survive.

(2) Other than the interconnection lines capacity of which is allocated to legal entities that established them and synchronous parallel connections; it is essential that the license holder legal entities who become entitled to capacity allocation of interconnection lines use the interconnection lines at or above the designated utilization factor ratio. No utilization factor assessment shall be made for capacity allocations of less than six months. Excluding the case where there is congestion following allocation, assessment shall be made at the end of each month in each interconnection line capacity allocation, excluding the first month following the start of the capacity utilization period of the line and the last three months thereof. If, pursuant to the calculation made by the System Operator, it is determined that the utilization factor was below 50% for the last three months or the average of last three months is below 60%, the System Operator shall notify the Authority of its calculations. If interconnection line capacity utilization right is revoked by the Board, the System Operator shall announce that the relevant participant's interconnection line capacity allocation is revoked and allocation will be made for the remaining utilization period and/or the new utilization period. The rights of the relevant participant shall survive until such time when utilization right is revoked by the Board. However, fulfillment of the conditions for utilization subject to cancellation within this period will not vest new rights to the relevant participant and shall not affect the rights of the new participant.

(3) The procedures and principles regarding capacity allocation shall be prepared by the System Operator and submitted to the Board for approval, and upon approval, the tender documents prepared by the System Operator shall be announced on the website. However, in capacity allocations to be made under the second paragraph of Article 15, the procedures and principles shall not require approval, and capacity allocations shall be made within the framework of the tender documents approved by the Board.

(4) In order to secure their payment obligations, right holder legal entities shall submit to the relevant System Operator the collateral designated within the scope of the Interconnection Usage Agreement and the collateral designated within the scope of the Facility Agreement pursuant to Article 21, if the new interconnection lines are established by the right holders themselves.

⁴⁴ Amended pursuant to Regulation published in the Official Gazette dated 24 April 2021 and numbered 31464.

⁴⁵ Amended pursuant to Regulation published in the Official Gazette dated 24 April 2021 and numbered 31464.

Provisions on the return of these collaterals and forfeiture of same shall be regulated under the Interconnection Usage Agreement and Facility Agreement.

(5) In cases where the national electricity system does not operate in synchronous parallel with other countries; the System Operator shall act pursuant to the provisions of previously executed international agreements for the said lines, if any, regarding capacity calculation, line allocation, congestion management, and inspection of lines.

Establishment of new interconnection lines by legal entities

ARTICLE 21⁴⁶ - (1) Supply license holder legal entities may establish interconnection facilities and/or transmission or distribution facilities that will increase the existing NTK for the purpose of conducting import and/or export activities; and generation license holder legal entities may establish the same for the purpose of conducting export activities; provided that all rights and authority related to ownership and operation of the same are in the name and on the account of the System Operator. Capacity allocations to be made within the scope of this Article cannot exceed ten years and may not exceed the license term of the applicant. The relevant license holder legal entity shall apply to the System Operator together with the information and documents regarding the interconnection line planned to be established as specified in the Procedures and Principles Regarding Capacity Allocation to Interconnection Lines to be Established by Legal Entities. The System Operator may request additional information and documents from the applicant regarding the interconnection line planned to be established. The Ministry's opinion shall be sought by the System Operator regarding the application. If the application is approved by the System Operator and the Ministry's opinion is affirmative, information about the line planned to be established shall be announced on the System Operator's website for ninety days for applications made at the transmission voltage level and for thirty days for applications made at the distribution voltage level, in order to ensure that the applications of other supply and/or generation license holders can be received. Applications not filed on time shall not be taken into consideration.

(2) If there is no more than one application to establish the same interconnection line and/or to build transmission or distribution facilities that will increase the existing NTK, the relevant legal entity shall be notified to the Authority by the System Operator. If there are multiple applications, the offer of the supply or generation license holder legal entity with the shortest capacity allocation period and in accordance with the connection point and line capacity to be designated by the System Operator for said transmission or distribution facility shall be confirmed in the competition to be organized by the System Operator. The license holder legal entity who becomes entitled to establish the planned interconnection line shall be notified to the Authority by the System Operator. The right holder shall apply to the Authority, within twenty days following the notice served to it by the System Operator for amendment of its license, by depositing the license amendment fee pertaining to the relevant year together with the agreement or protocol executed with the relevant Ministry and/or the competent Authority regarding the import and/or export of electricity in the counterparty country as defined in Article 8. If the application is not made on time, the rights acquired shall be lost and the procedures specified in this paragraph shall be applied to the legal entity who wins the second place in the competition.

(3) It shall be notified in writing that the legal entity that becomes entitled by a Board decision to capacity allocation in order to carry out import and/or export activities by establishing the new interconnection line and/or increasing the existing NTK, will be granted an operation permit if the Facility Agreement executed with the relevant System Operator is submitted to the

⁴⁶ Amended pursuant to Regulation published in the Official Gazette dated 24 April 2021 and numbered 31464.

Authority and said obligation (to submit the aforementioned agreement) is fulfilled within sixty days. This period may be extended by Board decision. The relevant legal entity shall submit a letter of guarantee or cash collateral to the System Operator at the rate of twenty-five percent of the appraisal estimate to be calculated by the System Operator within the scope of the Facility Agreement.

(4) If the Facility Agreement is submitted to the Authority within the scope of the third paragraph, information regarding the authorization of import and/or export activity shall be annotated to the license of the relevant legal entity by the Authority and notified to the System Operator to be published on the website. The Interconnection Usage Agreement shall be executed between the System Operator and the right holder prior to the provisional acceptance of the interconnection line. The line capacity allocation period incorporated to the license of the relevant legal entity shall commence from the license amendment date.

(5) In case the license is amended to increase or decrease the allocated capacity, the capacity in the Interconnection Usage Agreement shall also be amended to match the capacity annotated to the license. The license amendment application for the decrease of allocated capacity cannot be made before at least 12 months having passed as of the last capacity decrease amendment made. If the license is amended to decrease the allocated capacity per the application of the right holder, the rights pertaining to the decreased portion of capacity shall be lost.

(6) Right holder legal entities to which capacity is allocated at the transmission voltage level under this Article shall pay the transmission fees calculated over the tariff pertaining to the region of the transformer center to which the interconnection line is located as specified in the tariff charts approved by the Board. The transmission fees are payable to the relevant System Operator as of the provisional acceptance date of the line and throughout the capacity allocation period. Right holder legal entities to which capacity is allocated at the distribution voltage level shall pay the distribution fees calculated over the tariff of the commercial subscriber group pertaining to the consumers that purchase energy from a private supplier at the medium voltage level specified in the tariff charts approved by the Board. Said payment is to be made to the relevant System Operator as of the provisional acceptance date of the line and throughout the allocation period. If the import or export activity is disrupted due to a force majeure event that satisfies the conditions specified in Article 35 of the Electricity Market Licensing Regulation published in the Official Gazette dated 02/11/2013 and numbered 28809, the right holder shall apply to the relevant System Operator. If the grounds submitted in the application are deemed justified by the relevant System Operator, the obligations of the right holder affected by the force majeure event may be postponed or suspended to the extent they are affected, and transmission or distribution fees shall not be payable by the right holder until the effects of force majeure event are eliminated.

(7) In allocations made at the transmission voltage level, if the right holder notifies the System Operator that it will not use the entire allocated capacity for a year or longer, excluding the case where trade is effectively impossible, the Interconnection Usage Agreement shall remain in effect provided that ten percent of the fixed transmission fees for the entire allocated capacity is paid. In this case, the remaining capacity allocation period of the right holder shall not be affected. The implementation shall commence as of the invoice period following the date of application of the right holder to the System Operator. In this case, without prejudice to the line capacity allocated to other legal entities during the period that the right holder notifies that it will not use the capacity. If the right holder applies to the System Operator to use all or part of the capacity before the period notified by said right holder ends, the entire capacity, if the capacity subject to

the request is not allocated to another legal entity; or the remaining part of the capacity, if part of the capacity subject to the request is allocated to another legal entity, shall be made available for use of the right holder by the System Operator. If the entire capacity is allocated to another legal entity, this situation shall be notified to the right holder and the application shall be rejected. The System Operator shall finalize the application of the right holder within 30 days at the latest. If all or part of the capacity is used by the right holder in less than one year, the right holder shall pay the fees that fall short to be calculated over the entire capacity to the System Operator. In case all of the capacity requested by the right holder cannot be made available for use of said right holder, as part of said capacity has been made available for the use of other legal entities, the right holder shall only pay those fees that fall short with respect to the part that has actually been used. In allocations made within the scope of synchronous parallel connections, if the capacity that will be used is not notified by the right holder to the System Operator within the notification period, such capacity may be allocated to other legal entities by the System Operator.

(8) All rights and authority regarding the ownership and operation up to the boundary of the new interconnection line to be established within the scope of this Article shall belong to the System Operator as of the provisional acceptance date, and the capacity utilization right of the interconnection line shall belong to the legal entity who established the line for the capacity allocation period and the established interconnection line shall be recorded in the System Operator's inventory upon provisional acceptance. The capacity allocation right of the right holder shall expire at the end of the capacity allocation period and the line capacity may be allocated to other legal entities by the System Operator. If the license of the right holder is terminated or canceled or the utilization right is terminated for reasons not attributable to the System Operator and prior to expiration of the capacity allocation period of the line built, agreements executed between the right holder and the System Operator shall be terminated and the right holder shall lose the capacity utilization right and other rights, if any, arising from these agreements. In case of termination of said agreements, the payment obligations of the right holder accrued prior to the termination of said agreements, if any, shall survive and the line capacity subject to said agreements may be allocated to other legal entities by the System Operator.

(9) In case the entire capacity of the new interconnection line to be established within the scope of this Article is not allocated to the right holder, the remaining capacity may be allocated to other legal entities by the System Operator. The relevant legal entity cannot claim any rights for the capacity that became available for use as a result of the investment made by the System Operator in order to increase the NTK regarding the interconnection lines established by legal entities.

(10) Subject to affirmative opinion of the Ministry, authorization may be granted by the Board to generation license holders wishing to export the electricity they generate in generation facilities established in border provinces through a special direct line to be established without establishing a connection to the transmission or distribution system.

(11) Before establishment of new interconnection facilities and/or transmission or distribution facilities that will increase the existing NTK for connections that are not synchronous parallel, ENTSO-E shall be informed by TEİAŞ and its approval shall be obtained for the use of the relevant interconnection lines, as may be necessary.

Import in case of technical necessity

ARTICLE 22 - (1) For the purpose of supply of electricity in border regions, in case of technical necessity, the Board may temporarily allow the import of electricity by isolated zone method subject to the affirmative opinion of the Ministry.

Electricity import with condition to export

ARTICLE 23⁴⁷ - (1) Until synchronous parallel connection is established, import of electricity with condition to export may be authorized by the Board within the framework of the opinions of the Ministry and the System Operator. Electricity import activity with condition to export may be enabled as per the relevant legal entity's entitlement to allocation right in all interconnection lines in which it conducts said activity, independently from one another. Import and export activities within this scope shall be subject to financial settlement transactions on a settlement period basis.

CHAPTER FIVE Miscellaneous and Final Provisions

Repealed regulation

ARTICLE 24 - (1) The Electricity Market Import and Export Regulation published in the Official Gazette dated 01/06/2011 and numbered 27951 has been repealed.

Import and/or export activities conducted by TETAŞ

PROVISIONAL ARTICLE 1-(1) TETAŞ executes energy purchase and sales agreements entered into within the scope of existing agreements pursuant to Article 27 of the Law. It may execute energy purchase and sales agreements within the scope of existing concession and implementation agreements, and may execute electricity import or export agreements within the scope of intergovernmental agreements.

Those who can participate in tenders for capacity allocations announced by the system operator for synchronous parallel connections⁴⁸

PROVISIONAL ARTICLE 2⁴⁹ - (1) The provision that the supply or generation licensee can participate in tenders regarding capacity allocations announced by the System Operator for synchronous parallel connections and that they can import and/or export electricity for the amount and duration they are awarded line capacity allocation, shall be annotated to the supply and generation licenses in effect as of the date of publication of this Article. License amendments relating to the foregoing shall be carried out by the Authority without requiring application by the license holder legal entities and without charging a license amendment fee.

(2) License holder legal entities that fall within the scope of the first paragraph shall have the right to participate in tenders for capacity allocation announced by the System Operator during the term preceding the annotation to their licenses of the right to import and/or export electricity for the amount and duration they are awarded.

⁴⁷ Amended pursuant to Regulation published in the Official Gazette dated 24 April 2021 and numbered 31464.

⁴⁸ Amended pursuant to Regulation published in the Official Gazette dated 24 April 2021 and numbered 31464.

⁴⁹ Amended pursuant to Regulation published in the Official Gazette dated 24 April 2021 and numbered 31464.

Procedures and principles regarding capacity allocation and secondary physical transmission right market⁵⁰

PROVISIONAL ARTICLE 3⁵¹ - (1) The Procedures and Principles Regarding Capacity Allocation for Synchronous Parallel Connections, the Procedures and Principles Regarding Secondary Physical Transmission Right Market, the Procedures and Principles Regarding Capacity Allocation for Connections that are not Synchronous Parallel, all of which are prepared by TEİAŞ, shall be submitted to the Authority for approval, within 1 month from the date of publication of this Article.

Procedures and principles regarding direct allocation to the legal entity in case the new interconnection lines to be established are established by said license holder legal entities

PROVISIONAL ARTICLE 4 - (1) The procedures and principles regarding direct allocation of the KAKs to become available in each new interconnection line to license holder legal entity who receives import and/or export rights and establishes new interconnection lines, shall be prepared by TEİAŞ and submitted to the Authority for approval, within 3 months from the date of publication of this Regulation.

Existing wholesale licenses

PROVISIONAL ARTICLE 5 - (1) Until the existing wholesale licenses are reissued as supply licenses within the scope of Provisional Article 11 of the Law, transactions regarding import and/or export activities shall be carried out under the existing wholesale licenses.

Interconnection Usage Agreement to be used in connections that are not synchronous parallel⁵²

PROVISIONAL ARTICLE 6⁵³ - (1) The Interconnection Usage Agreement to be used in connections that are not synchronous parallel pursuant to the first paragraph of Article 12 of this Regulation shall be approved by the Board within three months from the date of publication of this Article. System Operators shall make a notification to the legal entities with whom they executed the System Operators Interconnection Usage Agreement, in order for them to execute the new agreement within fifteen days of being notified of the Interconnection Usage Agreement approved by the Board within one month following receipt of said notification shall be terminated and the Authority shall be notified thereof. The Interconnection Usage Agreement approved by the Board is executed between the System Operators and the right holder legal entities.

Procedures and principles regarding capacity allocation in case of establishment of new interconnection lines by legal entities⁵⁴

⁵⁰ Amended pursuant to Regulation published in the Official Gazette dated 24 April 2021 and numbered 31464.

⁵¹ Amended pursuant to Regulation published in the Official Gazette dated 24 April 2021 and numbered 31464.

⁵² Inserted pursuant to Regulation published in the Official Gazette dated 24 April 2021 and numbered 31464.

⁵³ Inserted pursuant to Regulation published in the Official Gazette dated 24 April 2021 and numbered 31464.

⁵⁴ Inserted pursuant to Regulation published in the Official Gazette dated 24 April 2021 and numbered 31464.

PROVISIONAL ARTICLE 7⁵⁵ - (1) The Procedures and Principles regarding Capacity Allocation in case of Establishment of New Interconnection Lines by Legal Entities to be prepared pursuant to the fourth paragraph of Article 17 of this Regulation shall be approved by the Board within three months from the date of publication of this Article.

Enforcement

ARTICLE 25 - (1) This Regulation shall enter into force on the date of its publication.

Execution

ARTICLE 26 - (1) The provisions of this Regulation shall be executed by the President.

	Regulation published in the Official Gazette	
	Dated	Numbered
	17/05/2014	29003
	Regulations amending the Regulation Published in the Official Gazettes	
	Dated	Numbered
1.	28/12/2014	29219
2.	15/06/2019	30802
3.	24/04/2021	31464

⁵⁵ Inserted pursuant to Regulation published in the Official Gazette dated 24 April 2021 and numbered 31464.