

From the Energy Market Regulatory Authority:

BOARD DECISION

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Decision No: 11008

Decision Date: 09/06/2022

It has been resolved in the Energy Market Regulatory Board meeting dated 9 June 2022, to approve the attached "Procedures and Principles regarding Payments Not Made within the scope of Unlicensed Generation" and to submit it to the Presidency of the Republic of Turkey in order to be published in the Official Gazette.

**PROCEDURES AND PRINCIPLES REGARDING PAYMENTS NOT MADE WITHIN
THE SCOPE OF UNLICENSED GENERATION**

Purpose and scope

ARTICLE 1- (1) The purpose of these Procedures and Principles is to determine the assigned supply companies that do not fulfil their obligations regarding payments to be made to unlicensed generators within the scope of the Unlicensed Electricity Generation in the Electricity Market Regulation published in the Official Gazette dated 12/5/2019 and numbered 30772 when they fall due, and/or fail to fulfill such obligations partially or completely, to designate the measures to be implemented in order for such payments to be made in accordance with the relevant legislation and the procedures and principles regarding such measures.

Legal Basis

ARTICLE 2- (1) These Procedures and Principles have been prepared based on the first paragraph of Article 25, the sixth paragraph of Article 26, and the first paragraph of Article 37 of the Unlicensed Electricity Generation in the Electricity Market Regulation and the seventeenth paragraph of Article 132/Ç of the Electricity Market Balancing and Settlement Regulation published in the Official Gazette dated 14/4/2009 and numbered 27200.

Definitions and abbreviations

ARTICLE 3- (1) The following definitions shall apply in the implementation of these Procedures and Principles:

- a) Assigned supply company: Supply company established within the scope of legal unbundling of distribution and retail sales activities or authorized by the Board as the supplier of last resource;
- b) Board: Energy Market Regulatory Board;
- c) Authority: Energy Market Regulatory Authority;
- ç) Unlicensed generator: Generation facilities engaged in generation within the scope of the Unlicensed Electricity Generation in the Electricity Market Regulation;
- d) Unlicensed Generator Blocked Cash Collateral Account: Account opened at the central settlement institution to which the net advance receivable within the scope of the transactions

carried out in the day-ahead market and intraday market by the assigned supply company within the scope of these Procedures and Principles are to be transferred to be blocked;

e) RUG: Unlicensed Electricity Generation in the Electricity Market Regulation;

f) TAPRUG: Total amount to be paid within the scope of RUG;

g) Central settlement institution: Central settlement institution established as a central clearing institution in accordance with the Capital Markets Law No. 6362 dated 6/12/2012, used to carry out financial transactions among market participants to be determined by the Electricity Market Balancing and Settlement Regulation;

ğ) Payment list: List submitted by the assigned supply company to the central settlement institution, which includes the unlicensed generators and supply companies to be paid, the amount of payment to be made to unlicensed generators and supply companies, IBAN information pertaining to unlicensed generators and supply companies and other necessary information requested by the central settlement institution;

h) Market Operator: Energy Markets Operator Company of Turkey;

ı) Supply company: Legal entity that may engage in wholesale and/or retail sale, import, export and trade of electricity and/or capacity.

(2) Other expressions and abbreviations used but not defined under these Procedures and Principles shall have the meanings and scope attributed to them under the relevant legislation.

Determination of assigned supply companies within the scope of implementation

ARTICLE 4- (1) In case it is determined by the Authority that the assigned supply companies fail to fulfil the payments to be made to unlicensed generators within the scope of RUG in due time and/or partially or completely fail to fulfill such payments, it may be decided to take action against the relevant assigned supply company within the framework of these Procedures and Principles. The decision of the Board shall be notified to the central settlement institution, market operator and the relevant assigned supply company.

Measures to be implemented

ARTICLE 5- (1) During the period determined by the Board, which shall not exceed 1 year, the following measures are to be taken in order to secure payments to unlicensed generators and relevant supply companies within the scope of sanctions to be implemented pursuant to Article 4 against the assigned supply concerned:

a) Net advance receivables within the scope of the transactions performed in the day-ahead market and intraday market shall be blocked by the central settlement institution;

b) It shall not be allowed to enter into a settlement bilateral agreement notification as seller, forward-looking sell-side bilateral agreement notifications shall be canceled and the relevant parties shall be informed via the MMS;

c) The assigned supply company against which the measure is applied shall not be allowed to do the following:

1) If it is the balancing responsible party of a balancing responsible group; the balancing responsible group shall be disbanded effective from the beginning of the first billing period following the date of the Board decision and it shall not be allowed to be a party to a balancing responsible group;

2) If it is included in a balancing responsible group; it shall be removed from the group effective from the beginning of the first billing period following the date of the Board decision and it shall not be allowed to be included in a balancing responsible group;

(2) TAPRUG amounts shall be notified to the central settlement institution by the market operator and the relevant assigned supply company following the final settlement notification for each billing period within the implementation period until the invoice settlement deadline at the

latest. If the notified TAPRUG amounts are different, the greater amount among the notified amounts shall be taken into account by the market operator and the assigned supply company.

(3) If the blocked advance amount for the relevant billing period within the implementation period is less than the amount specified in the second paragraph, payments shall be made in accordance with Article 6, in the following order:

a) The invoice receivable, if any, of the relevant assigned supply company shall also be blocked by the central settlement institution;

b) If the invoice receivable blocked in accordance with sub-paragraph (a) is also not sufficient, the shortfall amount shall be transferred to the Unlicensed Generator Blocked Cash Collateral Account at the central settlement institution by the relevant assigned supply company;

c) If the amount collected in accordance with sub-paragraphs (a) and (b) are also insufficient, the amount collected shall be apportioned to the total amount to be paid.

(4) If, after the date of entry into force of these Procedures and Principles, the assigned supply company is indebted regarding its retrospective payment obligations towards unlicensed generators, the provisions of these Procedures and Principles shall continue to be applied until such debts are paid.

(5) Commission and similar expenses accrued within the scope of these Procedures and Principles shall not be taken into account in tariff calculations.

Payment process

ARTICLE 6- (1) A separate Unlicensed Generator Blocked Cash Collateral account shall be opened at the central settlement institution on behalf of the assigned supply company which is to be sanctioned within the scope of Article 4.

(2) The net advance receivable of the assigned supply company pertaining to the relevant days during the period designated by these Procedures and Principles shall be blocked and not paid after being transferred to the Unlicensed Generator Blocked Cash Collateral account opened within the scope of the first paragraph in the order specified in the relevant legislation pertaining to the central settlement institution.

(3) The blocked amounts shall not be regarded as being included in the total collateral amount provided by the participant for purposes of collateral controls conducted within the scope of other relevant legislation.

(4) The amounts blocked in accordance with Article 5 during the relevant billing period within the implementation period shall be deposited by the central settlement institution to the accounts of the relevant unlicensed generators and the relevant supply companies within the framework of the payment list notified to the central settlement institution by the relevant assigned supply company on the eighth business day following the final settlement notification.

(5) Interest shall accrue for the amounts blocked in the cash collateral account in accordance with the principles set out under the relevant legislation pertaining to the central settlement institution.

(6) The amount remaining after the payments made within the scope of the fourth paragraph shall be transferred to the cash collateral account of the relevant assigned supply company opened within the scope of the Collateral Procedures and Principles, together with the accrued interest amount.

Duties and responsibilities of the central settlement institution

ARTICLE 7- (1) The central settlement institution shall be responsible for the following:

a) Opening a separate collateral account on behalf of the relevant assigned supply companies within the scope of these Procedures and Principles;

b) Ensuring that advance blocking and payment transactions are carried out in a timely and accurate manner;

c) Establishment of the infrastructure to ensure communication with the market operator and market participants regarding advance blocking and payment transactions and operation of the established system;

ç) Signing the central settlement institution-assigned supply company agreement regulating the obligations of the parties;

d) Informing the market operator, the relevant assigned supply company and the Authority on completed advance blocking and payments transactions;

e) Procurement of interest accrual for blocked advances and invoice receivable amounts;

f) Informing assigned supply companies on the service fees to be paid by the assigned supply companies.

(2) The procedures and principles regarding interest accrual are under the legal responsibility of the central settlement institution; and the provision of interest shall be carried out by the central settlement institution with their best efforts according to the market conditions of the day and the interest amount shall be transferred to the Unlicensed Generator Blocked Cash Collateral account of the relevant assigned supply company on the next business day.

Duties and responsibilities of assigned supply companies

ARTICLE 8- (1) Assigned supply companies that fall within the scope of these Procedures and Principles are responsible for the following:

a) Notification to the central settlement institution of the TAPRUG amount and payment list as of the final settlement notification date;

b) If the TAPRUG amount notified by it and the TAPRUG amount notified by the market operator are different, checking such amount and updating it accordingly;

c) If the payments to be made to unlicensed generators and the relevant supply companies cannot be covered from the blocked advance and invoice receivable amount, transferring the shortfall amount to the Unlicensed Generator Blocked Cash Collateral account at the central settlement institution by electronic funds transfer (EFT);

ç) Opening the collateral and cash account in its name at the central settlement institution in a timely and accurate manner for the transactions related to collateral and payments within the scope of these Procedures and Principles;

d) Signing the central settlement institution-assigned supply company agreement regulating the obligations of the parties;

e) Timely payment to the central settlement institution of the service fee requested from it in exchange for the services provided by the central settlement institution.

(2) The relevant assigned supply company is responsible for the accuracy of the information in the payment list. The central settlement institution cannot be held responsible for the costs and damages incurred due to incorrect information included in the payment list.

Inspection

ARTICLE 9- (1) If it is determined that the information requested by the Authority in accordance with the provisions of these Procedures and Principles is provided in an inaccurate, incomplete or misleading manner, or no information is provided at all, or on-site inspection opportunity is not provided, action shall be taken against the relevant assigned supply company within the scope of Article 16 of the Law.

Preparation process for implementation of assigned supply companies

PROVISIONAL ARTICLE 1- (1) Assigned supply companies shall complete all necessary measures within the scope of these Procedures and Principles until 30/6/2022.

Enforcement

ARTICLE 10- (1) Provisional Article 1 of these Procedures and Principles shall enter into force on the date of its publication and the other articles shall enter into force on 1/7/2022.

Execution

ARTICLE 11- (1) The provisions of these Procedures and Principles shall be executed by the President of the Energy Market Regulatory Authority.