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OTE, a. s.
KEY INFORMATION

OTE, a. s., was founded on 18 April 2001 by the Czech Republic's government, which is the Company's sole shareholder. The Ministry of Industry and Trade is entrusted by the government to exercise the shareholder's rights. The company has been active in the electricity market since 2002, and in the gas market since 2010.

The registered capital of the company is CZK 500 million

OTE's operations reaffirm the Company's significant position on the electricity and gas markets both in the Czech Republic and across Europe.

Core operations comprise:

- evaluation and financial settlement of imbalances between contracted and metered supply and consumption of electricity and gas;
- the organization of the short-term electricity market and the short-term gas market and the performance of the activities of the NEMO pursuant to Commission Regulation (EU) 2015/1222;
- processing and exchange of data and information related to the electricity and gas markets through the Centre of Data Services, 24 hours a day, 7 days a week;
- administration of support payments to supported energy sources;
- issuance of guarantees of origin of electricity from renewable energy sources and combined heat and power;
- performing the function of a national administrator of the Union registry for emission trading;
- provision of technical support for change of electricity and gas supplier in customer points of delivery;
- preparation of monthly and yearly reports on the electricity market and the gas market in the Czech Republic;
- preparation of reports on projected electricity and gas consumption and the method of ensuring balanced electricity and gas supply and demand;
- trade data reporting pursuant to Regulation (EU) No. 1227/2011 of the European Parliament and of the Council on Wholesale Energy Market Integrity and Transparency (REMIT).

OTE has been actively engaged in professional organizations and their working groups in the Czech Republic and abroad AEM, CIGRE, EUROPEX, Price Coupling of Regions (PCR), Association of Issuing Bodies (AIB). The Company's goal is to promote liberal and transparent principles on the electricity and gas markets, participate in formulating rules governing these markets, and ensuring free and equal access to those markets for all market participants.

A significant success of the market operator is in response to Commission Regulation (EU) 2015/1222, the determination of The Nominated Electricity Market Operator (NEMO). This status is a visible evidence of many years of work on the development of an organized electricity market in the Czech Republic and a commitment and motivation for further expansion of the integrated day-ahead market and the emergence of an intraday electricity interconnected market.

OTE has been certified by ACER as the Registered Reporting Mechanism (RRM) in accordance with REMIT. The certification is a necessary prerequisite for the provision of reporting services to market participants.

Volumes of electricity and gas registered in the OTE system in 2020

electricity	sale	purchase
block market	5 GWh	5 GWh
day-ahead market	22,068 GWh	15,687 GWh
intraday market (including cross-border exchanges)	2,701 GWh	2,100 GWh
bilateral transactions (internal nominations)	76,334 GWh	76,334 GWh
export/import	22,904 GWh	13,150 GWh

gas	sale	purchase
intraday market	4,311 GWh	4,311 GWh
bilateral transactions (internal nominations)	241.3 TWh	241.3 TWh
export/import	160.5 TWh	240.9 TWh
injection/withdrawal	22.5 TWh	33.4 TWh

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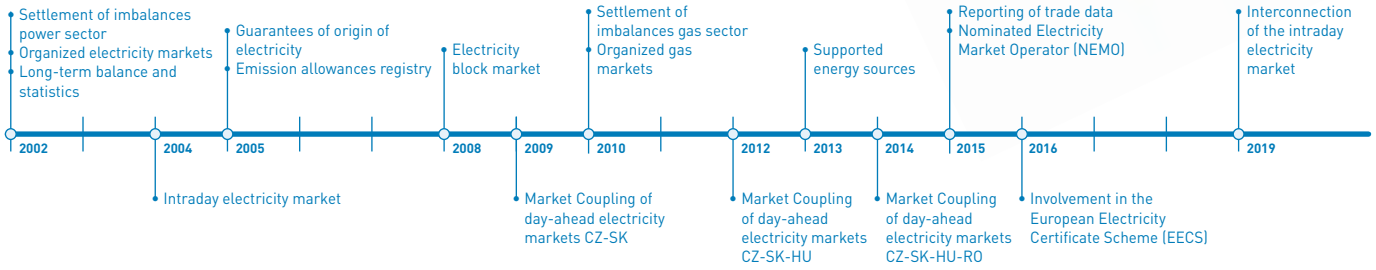
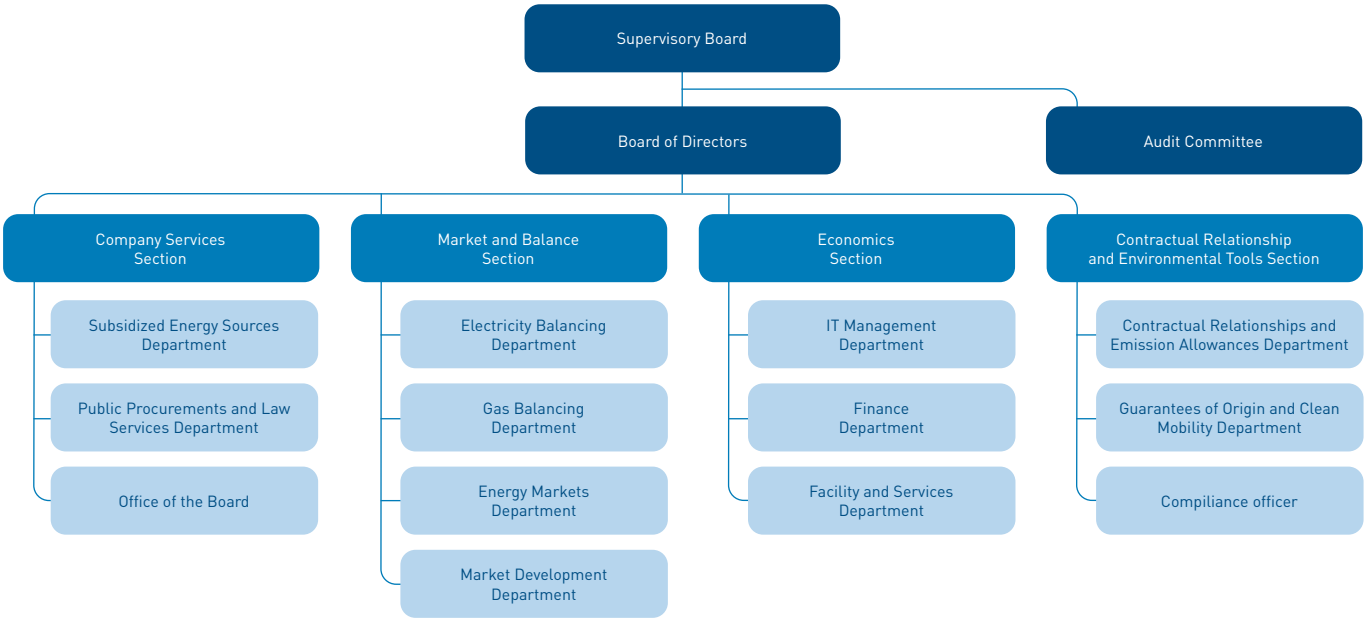
OTE, a. s.
KEY INFORMATION

OTE at glance



Organisation scheme at 1 February 2021



Electricity and Gas market participants in 2020

type of participant electricity market	number at 31 December 2020	year-on-year change
balance responsible party	122	-2
supplier	190	+57
provider of ancillary services	25	-1
distribution system operator	258	0
transmission system operator	1	0

type of participant gas market	number at 31 December 2020	year-on-year change
balance responsible party	104	+6
supplier	103	+2
distribution system operator	67	+2
transmission system operator	1	0
gas storage facility operator	4	0

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EMISSION ALLOWANCES
KEY INFORMATION

OTE, a. s., performs the function of a national administrator of the Union registry for emission trading that ensures accurate accounting of the issuance, holding, transfer and cancellation of emission allowances and Kyoto units. OTE has performed this administration first on the basis of the authorization of the Ministry of the Environment since 2005, later pursuant to Act No. 383/2012 Coll., on the Terms of Greenhouse Gas Emission Allowance Trading.

Records of allowances and Kyoto units are maintained in specific national accounts, operator holding accounts, aircraft operator holding accounts, person holding accounts and trading accounts.

Pursuant to Act No. 383/2012 Coll., on the Terms of Greenhouse Gas Emission Allowance Trading, operators of installations that have been included in the EU Emissions Trading System (EU ETS) and have been issued a permit by the Ministry of the Environment to emit greenhouse gas into the atmosphere are required to open a Registry account. Since January 2012 this obligation has applied also for aircraft operators whose operating licences have been issued in the Czech Republic or who are under the administration of the Czech Republic in accordance with the list of aircraft operators published by the European Commission.

Any natural person or legal entity may open a trading account, including installation operators and aircraft operators that have already established holding accounts.

EU Emission Trading System (EU ETS) was established pursuant to Directive 2003/87/EC. Pursuant to Commission Delegated Regulation (EU) No. 2019/1122, all Member States are required to use the standardized Union registry launched in 2012, which replaced the EU Member States' national registries. The Union registry is operated also as a consolidated registry system under the Kyoto Protocol.

The Union registry can be accessed from the website: **https://www.povolenky.cz**.

As at 31 December 2020, there were 267 operator holding accounts, 20 person holding accounts, 31 trading accounts and 8 aircraft operator holding accounts in the Registry. These accounts belong to a total of 216 entities. Some of these entities have more than one account in the Registry.

In 2020, 1,040 transactions took place in the Registry, during which a total of 364,980,519 units changed accounts. The statistics include all transfer transactions with emission allowances and Kyoto units made between account holders.

The reason for the transaction and the actual prices of allowances and Kyoto units are neither evaluated nor traded in the Registry. Allowance trading takes place, for example through bilateral or exchange trades.

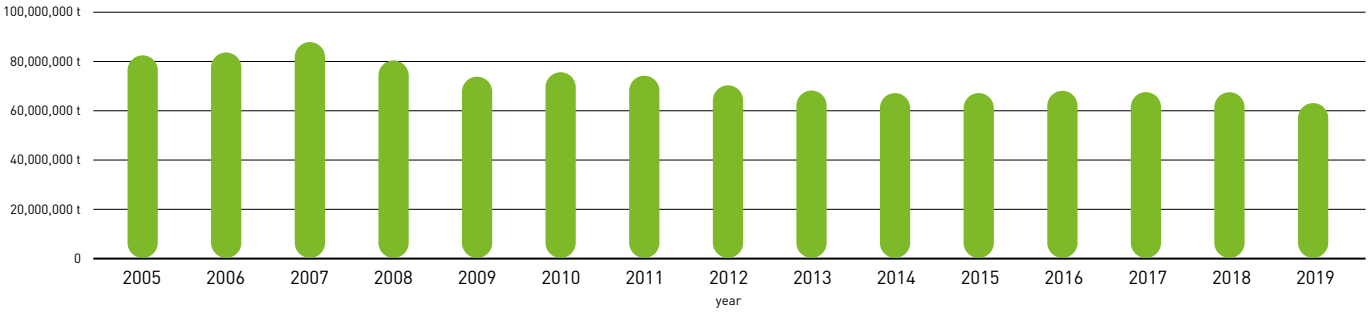
The final deadline for installation operators to comply with the legal obligation to surrender allowances in the amount of verified tonnes of CO_2 emissions produced by the installation in 2019 was 30 April 2020. All operators have fulfilled this obligation. Thus, on 15 May 2020, the Report on the evaluation of stationary operators and aircraft operators in relation to the 2019 Compliance at EU level was published in accordance with Annex XIV., Paragraph 1 (d), (e) of Commission Regulation (EC) No. 389/2013. The total sum of verified emissions from stationary installations and aircraft in 2019 amounted to 63,003,403 tonnes of CO_2, which is 4,422,814 tonnes less CO_2 year-on-year.

Trends of reduction of emmisions covered by the EU ETS system in the Czech Republic are demostrated in the figure below on data from the Union Registry between 2005 and 2019.

Number of transactions and volume of transferred units in 2020

unit type	unit volume	number of transactions
allowances	364,544,126	1,005
kyoto units	436,393	35
total	364,980,519	1,040

Emission trends of CO_2, N_2O and PFC covered by the EU ETS system in the Czech Republic



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GUARANTEES OF ORIGIN
KEY INFORMATION

A guarantee of origin of electricity from renewable energy sources and high-efficiency combined heat and power generation proves that a given quantity of electricity was generated from renewable energy sources or combined heat and power and supplied to the grid. The purpose of a guarantee of origin is to prove the origin of electricity. For this purpose OTE operates the Registry of Guarantees of Origin (EZP).

The Market Operator was assigned the obligation to issue guarantees of origin upon written request of producers of electricity under Act No. 180/2005 Coll. The implementation of Act No. 165/2012 Coll. resulted in a fundamental change in the administration of guarantees of origin in 2013. The guarantees of origin can now be issued in response to requests of producers of electricity only electronically. Decree No. 403/2015 Coll., on guarantees of origin of electricity sets out procedures, conditions and ways to verify data necessary for issuance, transfer, recognition and cancellation of guarantees of origin and its content requirements.

In 2020, 257 account holders were newly granted access to the EZP system. A total of 6,042,239 guarantees of origin were issued to 1,115 active account holders, which represents a 2.5 % increase in the number of guarantees of origin issued compared to the year 2019. Through the process of cancelling guarantees of origin, the origin of approximately 1,381.5 GWh of electricity produced from renewable energy sources consumed in the Czech Republic was transparently guaranteed.

As the EZP system allows the issuance of guarantees of origin for power generation retroactively up to 12 months, it may be assumed that a certain portion of the guarantees of origin relating to power generation in 2020 will not be issued and cancelled until 2021.

Cancellation of the guarantee of origin is the process of its transfer to the cancellation account, which ends its life cycle. By the cancellation of the guarantee of origin the account holder declares that a given volume of electricity represented by the relevant number of guarantees of origin was supplied to a final consumer.

Holders of license to produce electricity or to trade electricity may request access to the EZP system. All information on the EZP and on establishing access to it is available from the website: **https://www.ote-cr.cz/en/gos_and_allowances**.

International transactions

Following the launch of the EZP system, the market operator became a member of the international Association of Issuing Bodies (AIB) in November 2013. The market operator is also included in the international standardized European Electricity Certificate Scheme (EECS).

The EZP system is thus fully harmonized with the other systems of countries associated in the AIB and allows the import and export of guarantees of origin issued in these countries. Specifically: Austria, Belgium, Croatia, Cyprus, Denmark, Estonia, Finland, France, Germany, Greece, Iceland, Ireland, Italy, Latvia, Lithuania, Luxembourg, Netherlands, Norway, Portugal, Serbia, Slovakia, Slovenia, Spain, Sweden and Switzerland, this list will be expanded as new countries will join the AIB.

The cooperation of the market operator with other AIB members significantly increases the transparency of the whole system of guarantees of origin at all stages of their life cycle.

Summary overview of transactions with guarantees of origin in 2020

transaction type	number of GOs
international exporting transfer	5,709,826
international importing transfer	1,075,868
cancellation	1,381,485
domestic transfer	5,985,087
issuance	6,042,239
withdrawal due to expiration	100,642

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SUPPORTED ENERGY SOURCES
TYPES OF SUPPORT AND REGISTRATION

Support for power generation is provided as green bonuses for electricity or as purchase prices (feed-in-tariff). Operating aid for production of heat is provided as green bonuses for heat (pursuant to Act No. 165/2012 Coll., on Supported Energy Sources and amendments to certain laws).

Pursuant to the Act No. 458/2000 Coll. (Energy Act) the Market Operator is required to:

- pay electricity producers green bonuses for electricity from renewable energy sources, secondary sources and combined heat and power (CHP),
- pay mandatory purchasers the difference between the feed-in-tariff and the hourly price and the price for their activities,
- pay heat producers green bonuses for heat.

Registration of support

Registration of power and heat producers, registration of the selected type of support is done electronically in the Market Operator's system via secure access. Producers eligible for support apply under the terms of Act No. 165/2012 Coll.; the application procedure is set out in Decree No. 9/2016 Coll.

Records of generated electricity volumes

Producers eligible for support for generation of electricity from renewable energy sources, secondary sources or combined heat and power record monthly volumes of generated electricity through reports in the Market Operator's system.

Settlement of support for electricity

The settlement of green bonuses for electricity is carried out on the basis of data included in the monthly report submitted by the relevant producer pursuant to the provisions of Act No. 165/2012 Coll. and the Market Rules of OTE, a. s., for the Power sector.

The settlement of the feed-in-tariff applied to purchase of electricity is performed by the producer for the mandatory purchaser on the basis of metered data at the delivery point of the power-generating installation and the distribution/transmission system and on the basis of data included in the monthly report. After the mandatory purchaser has paid the producer the feed-in-tariff, the Market Operator shall reimburse the mandatory purchaser for the difference between the feed-in-tariff and the hourly price of electricity (from the day-ahead sport market organized by OTE, a. s.).

Records of generated heat volumes and settlement of bonuses for heat

Producers eligible for support for heat generated from renewable energy sources record monthly volumes of generated heat through reports in the Market Operator's system. The settlement of green bonuses for heat is carried out quarterly on the basis of reports received from producers pursuant the provisions of Act No. 165/2012 Coll. and the Market Rules of OTE, a. s. for the Power Sector.

In 2020, support was paid for 4,190 TJ of heat produced from renewable energy sources in the total amount of CZK 236 million.

Sources registered in the system CS OTE

type of source / fuel	total sources registered in CS OTE		of which sources commissioned in 2020	
	installed capacity (MW)	number of sources	installed capacity (MW)	number of sources
photovoltaic plants	2,085.8	28,961	12.3	148
wind power plants	339.5	230	0.0	0
biomass	2,675.5	137	0.0	0
biogas stations	320.1	726	0.0	0
mine and drained gas	43.1	33	2.0	2
landfill and sewer gas	88.0	190	0.0	0
other secondary sources	534.5	32	10.8	1
small hydro power plants	354.2	2,269	8.6	49
other sources	14,743.6	1,119	63.9	76
total	21,184.1	33,697	97.6	276

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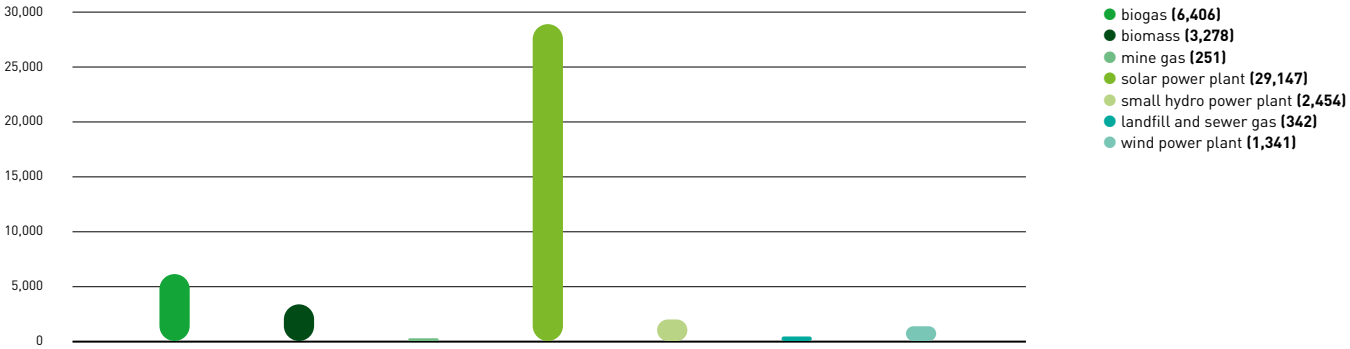
SUPPORTED ENERGY SOURCES
SUPPORT PAID BY SOURCE

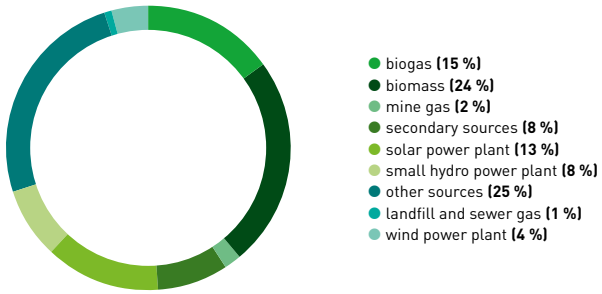
Electricity from renewable energy sources (RES) and secondary sources (Sec. S), combined heat and power (CHP)

type of source	RES	Sec. S	CHP	total
supported volumes (GWh)	8,580	519	7,155	16,255
paid (CZK million)	43,218	81	1,844	45,144

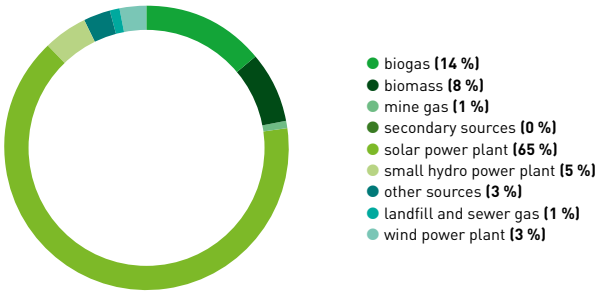
Paid support by renewable source (CZK million)



Shares of supported volumes of RES + Sec. S + CHP by source



Shares of paid support for RES + Sec. S + CHP by source



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ELECTRICITY MARKET
ORGANIZED SHORT-TERM MARKET

The organized short-term electricity market allows electricity market participants to optimize their trading positions at short notice before the delivery date (day, hours and minutes) in response to the current situation in their production or consumption portfolio.

The short-term electricity market is comprised of the following trade platforms:

- block market,
- day-ahead market,
- intraday market.

All deals closed on the foregoing markets are also automatically added to the respective trading positions, therefore market participants do not need to perform additional registration of the executed transactions, contrary to external platforms.

Key rules governing trading on OTE's short-term markets:

- ensuring a neutral and secure environment,
- support for market competition and ensuring non-discriminatory conditions for all participants,
- provision of market-related information,
- ensuring anonymous trading and acting as a central counterparty,
- hedging risks in respect of financial settlement of transactions and physical supply of the commodity,
- reducing barriers preventing market entry for new participants,
- distribution of market price signals,
- interconnection within the single European day-ahead and intraday electricity market.

TRADE PLATFORMS

Block market

Since 2008, the organized block market in electricity has allowed the continuous trading of fixed electricity blocks on a given trading day. Base type (0:00–24:00), Peak type (8:00–20:00) and Off-peak type (0:00–8:00; 20:00–24:00). The volume of electricity traded on this market in 2020 totalled 5 GWh.

Day-ahead market

The organized day-ahead electricity market has been operating since 2002. Since 2009, it is coupled with the day-ahead market in Slovakia, since 2012 the day-ahead market in Hungary and from 2014 the day-ahead market in Romania through implicit auctions. This form of trading is also known as Market Coupling. Bids for the purchase or sale of electricity of registered market participants in the Czech Republic, Slovakia, Hungary and Romania for the following day are met jointly and from neighboring market areas without the need to purchase transmission capacity, up to the amount of free transmission capacity at individual borders. On the day-ahead market, it is possible to anonymously offer or demand electricity for any hour of the day of delivery. The result is closed trades for a specified amount of electricity and a uniform price for trades for each hour of the day of delivery. In 2020, 22.41 TWh of electricity was traded on this market. OTE is designated on the day-ahead electricity market by the Nominated Market Operator (NEMO), which ensures uniform interconnection of day-ahead or intraday markets according to Commission Regulation (EU) 2015/1222.

Intraday market

Since 2004, the organized intraday electricity market has allowed market participants to continue to trade anonymous offers for trading hours on a given delivery day, up to a limit time of 5 minutes before the start of the hour of delivery or consumption. Since 19 November 2019, the intraday electricity market has been linked to the intraday markets of another 20 European countries within the SIDC. In 2020, 4,444 GWh of electricity was traded on this market. OTE is designated on the intraday electricity market by the NEMO, which ensures uniform interconnection of day or intraday markets according to Commission Regulation (EU) 2015/1222.

Comparison of specifics of electricity markets

	block market	day-ahead market	intraday market
type of market	continuous matching	daily auction	continuous matching
traded period	12 or 24 hours	1 hour	1 hour
minimum tradable volume	1 MW × 12 or 24 hours	0.1 MWh	0.1 MWh
maximum tradable volume	50 MW × 12 or 24 hours	99,999 MWh	999 MWh
smallest quantity increment	1 MW × 12 or 24 hours	0.1 MWh	0.1 MWh
trading currency	CZK	EUR	EUR
minimum price	CZK 1/MWh	EUR -500/MWh	EUR -9,999/MWh
maximum price	CZK 9,999/MWh	EUR 3,000/MWh	EUR 9,999/MWh
smallest price increment	CZK 1/MWh	EUR 0.01/MWh	EUR 0.01/MWh
zero price option	NO	YES	YES
market opens at	9:30 D-5	unlimited	15:00 D-1
market closes at	13:30 D-1	11:00 D-1	H-0:05

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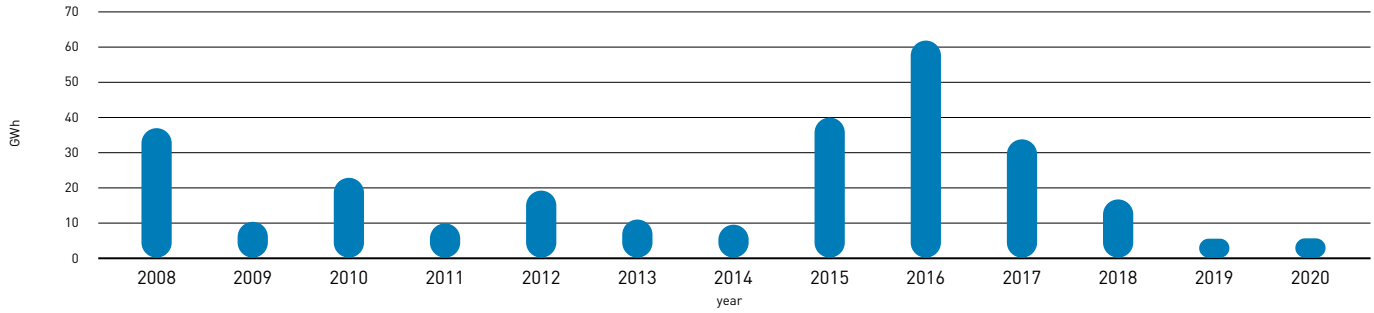
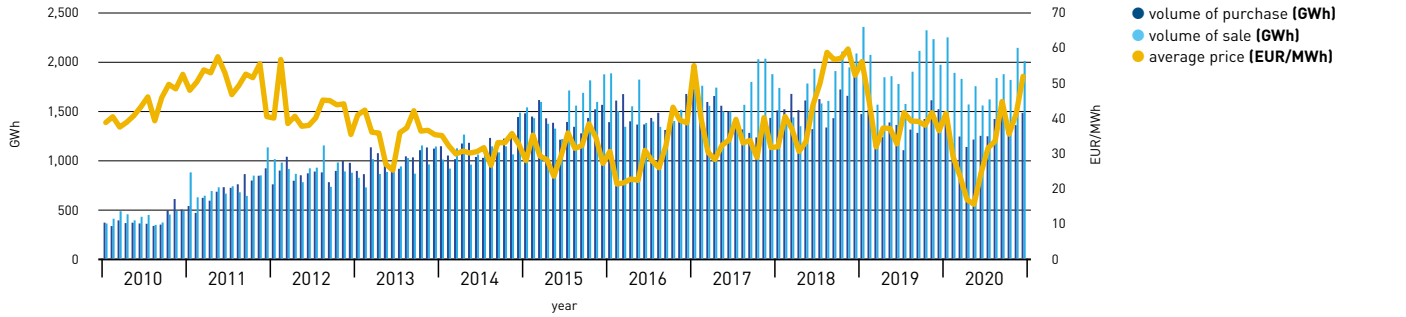
The organized short-term electricity market recorded an overall increase in trades in 2020. The following charts illustrate the evolution of traded quantities and prices on the respective platforms during 2020.

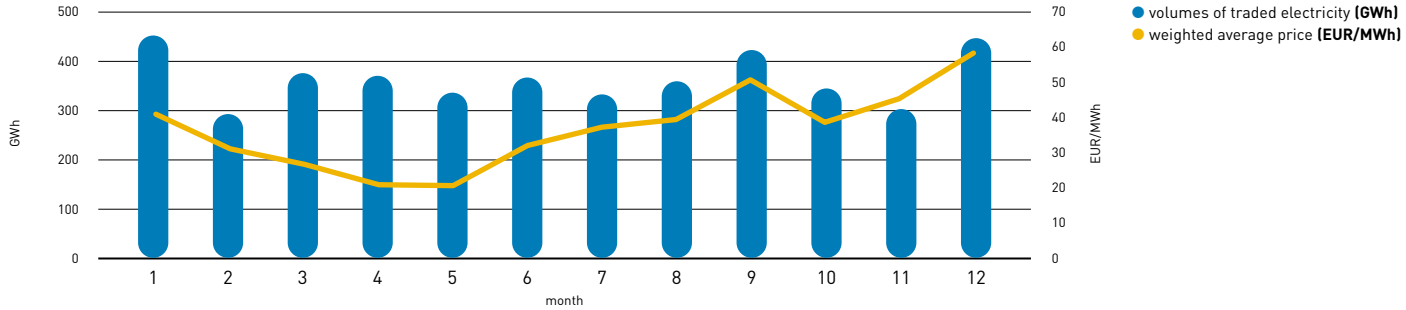
Trend in volumes of electricity traded on the block market in 2008–2020



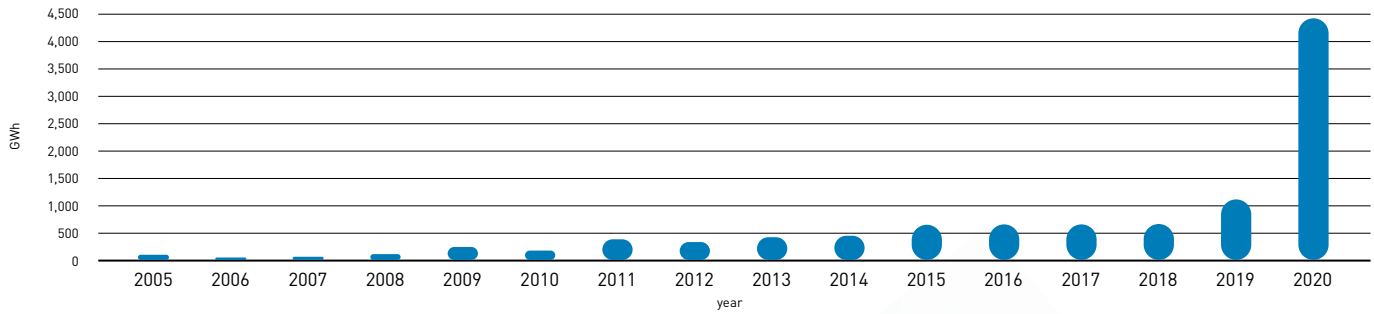
Volumes of traded electricity and average prices on the day-ahead market in specific months of 2010–2020



Volumes of traded electricity and prices on the intraday market in specific months of 2020



Amount of traded electricity on the intraday market in 2005–2020



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ELECTRICITY MARKET
EVALUATION AND SETTLEMENT OF IMBALANCES

The balance responsible party's imbalance for every trading hour is the sum of differences between the supplied and contracted volumes of electricity for supply and differences between the consumed and contracted volumes of electricity for consumption.

Legislation defines market participants, for which OTE settles imbalances, as "balance responsible parties" (BRP). It also sets out the method of determining the volume of imbalances of balance responsible parties. The basic rule applied to charges for all imbalances stipulates that each market participant is either responsible for its imbalances, i.e. is deemed a BRP, or it transfers imbalance responsibility to another BRP. Any electricity consumption from the power system or supply to the system must be assigned to a market participant.

Imbalance of BPR = the sum of production supplied to the power system – the sum of consumption from the power system + the balance of volumes of electricity purchased/sold on organized short-term markets + the balance of electricity from bilateral transactions registered with OTE + the balance of export and import to/from abroad.

Contracted electricity volumes to supply to the power system and take from the power system are determined by the Market Operator for each trading hour on the basis of registered internal nominations, results of the short-term electricity market, and contracted cross-border exchanges.

Actual volumes of supplied or consumed electricity are recorded on the basis of business metering.

System imbalance (SI) in each trading hour is defined as the balance of all supplies by balance responsible parties and overall consumption of BRPs. The system imbalance equals the sum of the relevant BRP's imbalances and is covered by regulating energy.

Calculation of imbalance volumes of all BRPs and their financial evaluation is carried out in the OTE system as follows:

- every day of the year for the preceding day for every trading hour,
- after the end of the month for the preceding month (real monthly imbalances),
- the fourth month after the evaluated month (final monthly imbalances).

Each BRP can access the results of the calculation via the website **https://portal.ote-cr.cz**; summarized values are posted also on OTE's public website.

The transmission system operator shall provide energy to cover the system imbalance by activating ancillary services or by purchasing energy from abroad. This can be accomplished either through activation within the European platforms, for the exchange of balancing energy, or by ensuring the supply of energy from abroad under contracts for the operative supply of balancing energy. The total balance of imbalances and regulating energy cleared at OTE in 2016–2020 is shown in the following table, including the corresponding payments. The operation of the balancing market with regulating energy was terminated due to the application of Commission Regulation (EU) 2017/2195 of 23 November 2017 establishing a guideline on electricity balancing as at 31 January 2020.

As in previous years, in 2020 the expenditure on regulating energy used to offset the positive system imbalance was still significantly lower than the expenditure on regulating energy used to offset the negative system imbalance.

Volumes (in GWh) and payments (in CZK million) – regulating energy, imbalances and settlement surpluses in 2016–2020

volumes in GWh		2016	2017	2018	2019	2020
	regulating energy +	265 GWh	246 GWh	280 GWh	229 GWh	269 GWh
	regulating energy -	-375 GWh	-365 GWh	-312 GWh	-330 GWh	-433 GWh
	imbalance +	1,075 GWh	1,171 GWh	1,098 GWh	1,179 GWh	1,192 GWh
	imbalance -	-964 GWh	-1,049 GWh	-1,066 GWh	-1,078 GWh	-1,028 GWh

payments in CZK million		2016	2017	2018	2019	2020
	regulating energy +	CZK 699 million	CZK 601 million	CZK 701 million	CZK 581 million	CZK 662 million
	regulating energy -	CZK 2 million	CZK 1 million	CZK 8 million	CZK 4 million	CZK 5 million
	imbalance +	CZK 584 million	CZK 614 million	CZK 756 million	CZK 736 million	CZK 655 million
	imbalance -	CZK -1,686 million	CZK -1,569 million	CZK -1,809 million	CZK -1,669 million	CZK -1,539 million
	settlement surplus	CZK 400 million	CZK 354 million	CZK 360 million	CZK 348 million	CZK 217 million

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ELECTRICITY MARKET
IMBALANCE AND COUNTER-IMBALANCE PRICE

Legislation defines the method of setting the price which is charged or credited to balance responsible parties for imbalances. Since 2007 this price has been derived from the system imbalance and the sale price of regulating energy used for system imbalance offset.

Following minor modifications implemented in 2007–2011, since 2011 imbalance price has been calculated as follows:

- the imbalance price is the highest sale bid price of regulating energy supplied at the respective trading hour; if the resulting price is lower than the price set by the ERO price decision, the ERO price shall apply,
- in the event no regulating energy was provided at some of the trading hours, the imbalance price set in the ERO price decision shall apply.

The correlation curve of the imbalance price with the system imbalance volume is annually confirmed by the ERO's price decision applicable for the relevant year. In 2020 and 2021, the correlation curve of the imbalance price for each trading hour is calculated as follows:

- for a negative and zero system imbalance (SI) using the following formula:
  $C = 2{,}350 + 5.5 \times |SO|$ [CZK/MWh; MWh],
- for a positive system imbalance (SI) using the following formula:
  $C = 1 + 3.5 \times |SO|$ [CZK/MWh; MWh].

In the event the system imbalance is negative, **the settlement price of the imbalance** equals the imbalance price (calculated from the sale price of regulating energy or the supply curve in the ERO price decision). In the event the system imbalance is positive, the settlement price of the imbalance equals the negative value of the imbalance price.

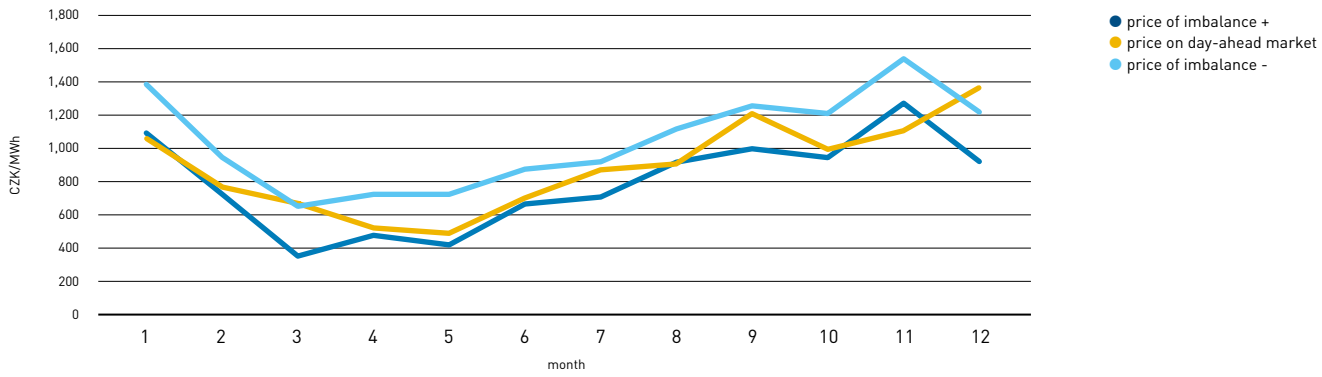
As of 1 January 2010, **the counter-imbalance price** (BRP's imbalance in an opposite direction to system imbalance) has been tied more closely to the price of regulating energy. The settlement price of the "counter-imbalance" is the weighted average of prices of activated regulating energy.

If the direction of the BRP's imbalance is identical to the system imbalance direction, the BRP is charged an amount equalling the product of the BRP's imbalance and the settlement price as a fee for the imbalance caused by the respective BRP. If the direction is opposite, the BRP is credited an amount equalling the multiple of the settlement price of the counterimbalance and the value of the BRP's counter-imbalance.

system imbalance (MWh)	BRP's imbalance (MWh)	settlement price (type)	imbalance price (CZK/MWh)	who pays who (direction)
positive +	positive +	imbalance	negative -	BRP is charged for imbalance
positive +	negative -	counter-imbalance	negative -	BRP is credited for imbalance
negative -	positive +	counter-imbalance	positive +	BRP is credited for counter-imbalance
negative -	negative -	imbalance	positive +	BRP is charged for counter-imbalance

Progressive imbalance prices (in relation to the volume of system imbalances) and the difference between the imbalance price and the counter-imbalance price provide a sufficient incentive for balance responsible parties to minimize their imbalances and to place any electricity surplus or shortage thereof on the balancing market with regulating energy.

Average monthly prices of positive and negative imbalances and average monthly prices on the day-ahead market in 2020



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GAS MARKET
ORGANIZED SHORT-TERM MARKET

The organized short-term gas market allows gas traders to optimize their trading positions at short notice before the close of the gas day in response to the current situation in their production or consumption portfolio.

The short-term gas market is comprised of the following trade platforms:
- Intraday gas market

Other short-term markets:
- Unused flexibility market

Key rules governing trading on OTE's short-term markets:
- ensuring a neutral and secure environment,
- support for market competition and ensuring non-discriminatory conditions,
- provision of market-related information,
- ensuring anonymous trading and acting as a central counterparty,
- hedging risks in respect of financial settlement of transactions and physical supply of the commodity.

TRADE PLATFORMS

Intraday gas market

The organized intraday gas market allows gas market participants continuous trading in the day before the gas day of delivery, as well as in the course of a gas day of delivery. Only balance responsible parties the transmission system operator, and gas storage operators can trade on this market under the terms laid down in the Energy Act and the Market Rules. The intraday gas market opens at 9:00 on the day preceding the gas day on which gas is delivered.

In 2020, a total of 4,311 GWh of gas was traded on the intraday gas market. The average price of gas traded on the intraday market in 2020 amounted to EUR 9.52/MWh. 104 gas traders were registered to trade on this market.

Transactions are executed in the EUR currency and the trading unit is also one gas day. Financial settlement of the transactions is carried out in EUR or CZK. Delivery point of traded gas is virtual trading point of the Czech Republic (VTP CZ), operated by OTE.

Unused flexibility market

Balance responsible parties may anonymously buy and sell available positive or negative unused flexibility on the unused flexibility market. The market is organized in CZK currency daily for the preceding gas delivery day on the basis of auction principle (matching curves are used to set a market clearing prices and traded volumes of positive and negative unused flexibility).

Short-term markets in the gas sector

	intraday gas market	unused flexibility market
type of market	continuous matching	auction principle
traded period	*1 day	*1 day
minimum tradable volume	0.1 MWh	0.001 MWh
maximum tradable volume	99,999.9 MWh	not defined
smallest quantity increment	0.1 MWh	0.001 MWh
trading currency	EUR	CZK
delivery point	VTP CZ	VTP CZ
minimum price	EUR 0.01/MWh	CZK 0.01/MWh
maximum price	EUR 4,000/MWh	CZK 99,999/MWh
smallest price increment	EUR 0.01/MWh	CZK 0.01/MWh
zero price option	NO	NO
market opens at	9:00 D-1	13:00 D+1
market closes at	5:00 D+1	13:45 D+1

*Gas day is defined from 6:00 to 6:00 of the following day.

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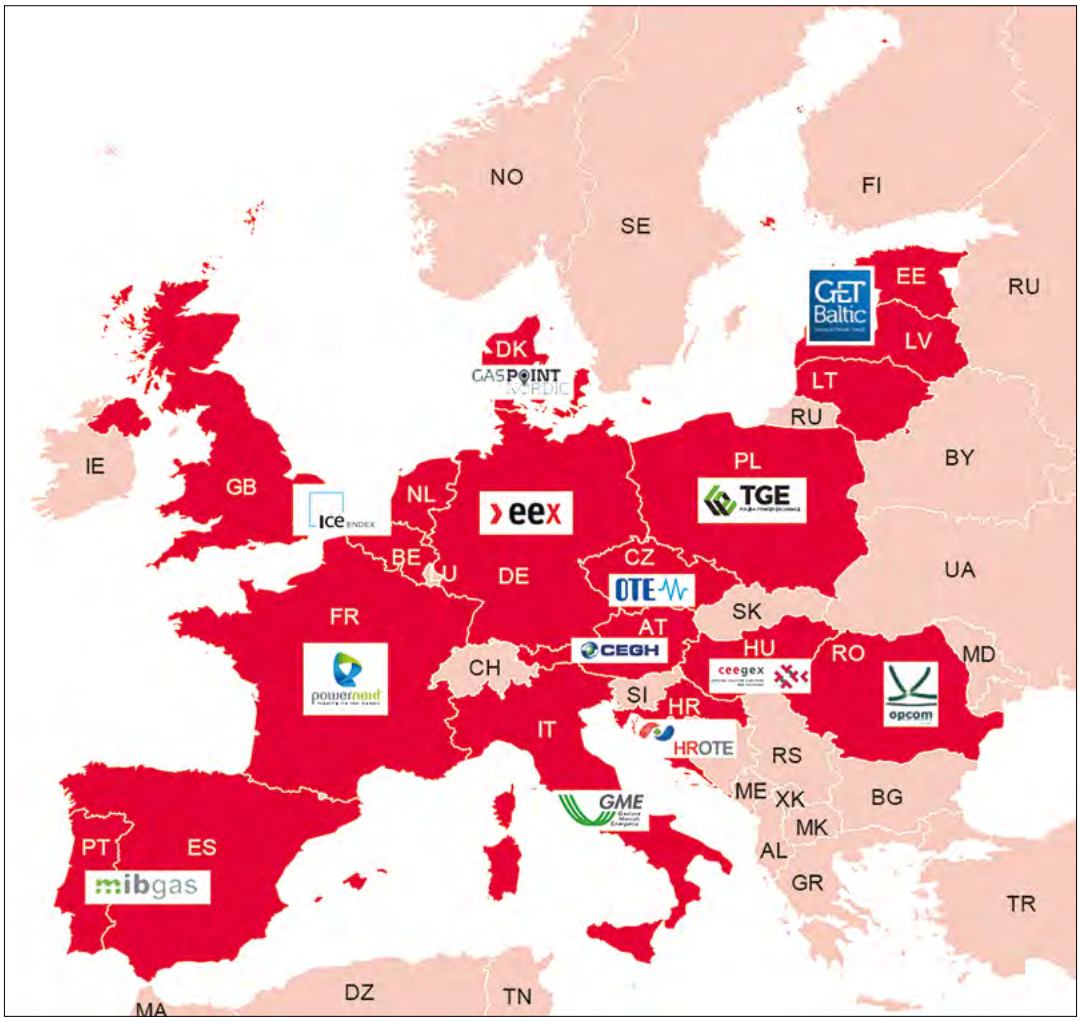
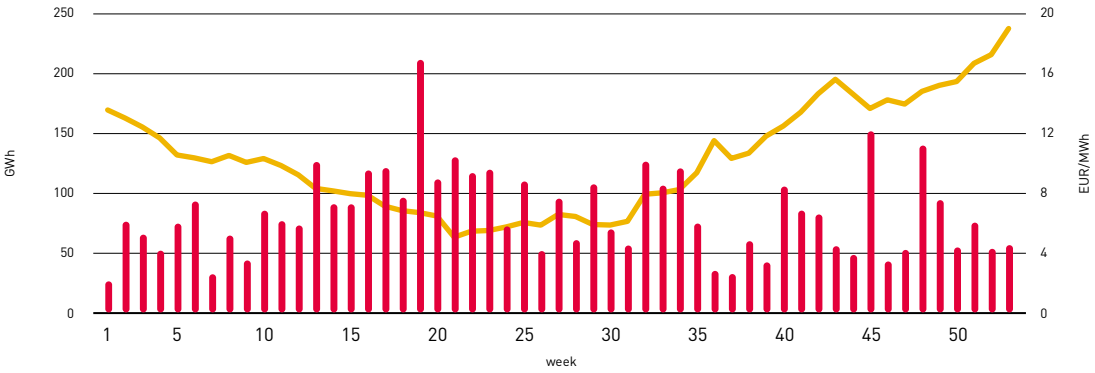
The organized intraday gas market is attractive not only for balancing the traders' positions, but also during sudden climatic changes or complications in the transmission system.

Gas trading platforms



countries with spot gas exchanges
countries without spot gas exchanges

Volumes of traded gas and average prices on the intraday gas market in specific weeks of 2020



volumes of traded gas **(GWh)**
weighted average price **(EUR/MWh)**

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GAS MARKET

EVALUATION AND SETTLEMENT OF IMBALANCES

OTE has carried out evaluation and settlement of imbalances on the gas market since 2010 pursuant to the Energy Act. Legislation defines market participants for which OTE settles imbalances as Balance Responsible Parties (BRP) and sets out the method of determining volumes of imbalances pertaining to BRPs.

Imbalances of BRPs are evaluated as follows:

- daily for each preceding gas day (daily imbalances),
- after the end of the month for the previous gas month (monthly imbalances),
- after completed receipt of adjusted data, i.e. the fourth month following the evaluated month (final monthly imbalances).

Daily imbalance of BRP = the sum of gas supplied to the gas system from gas production facilities – the sum of gas consumption by customers of the relevant BRP from the gas system + the balance of gas purchased/sold on organized short-term markets + the balance of bilateral contracts registered with OTE + the balance of gas withdrawal and injection into/from gas storage facilities nominations + the balance of export and import to/from abroad.

System imbalance of the entire gas system on the relevant gas day equals the sum of all traders' imbalances on the same gas day (including gas traders with transit contracts that are not BRPs).

Each BRP will have a flexibility account and a balance account of imbalances (hereinafter the aggregated account of imbalances) registered in the OTE system. The initial balance of the aggregated account of imbalances of a BRP for the relevant gas delivery day is the balance of the BRP' aggregated account of imbalances after the previous gas day. It can be said that the balance of the BRP's aggregated account of imbalances corresponds to the quantity of gas that the relevant BRP is to supply to the gas system or take from the gas system to make its gas balance in the gas system equal zero.

The final balance of the aggregated account of imbalances of a BRP at the end of the gas day is defined as the sum of the initial balance of the BRP's aggregated account of imbalances at the beginning of the gas day and the daily imbalance of the BRP provided the sum is within the flexibility limit of the respective BRP.

In the event the balance of the aggregated account of imbalances of a BRP exceeds the flexibility limit of that BRP and the BRP fails to purchase unused flexibility of another BRP, the excess amount equals the daily imbalance quantity of the BRP and this amount is settled financially at a unit price.

The final balance of the aggregated account of imbalances of a BRP is thus the sum of the initial balance of the aggregated account of imbalances of the BRP at the beginning of the gas day, daily imbalances of the BRP and the daily imbalance quantity of the BRP, while respecting the convention for positive/negative signs.

To determine the amount of unit price for managing the daily imbalance quantity of the balance responsible party (applicable price), the following rules apply:

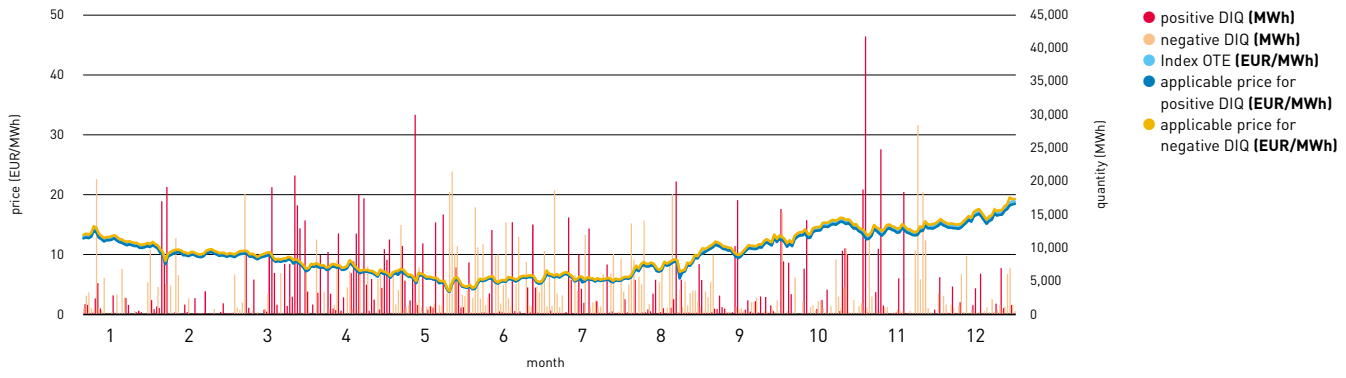
For negative daily imbalance quantity, the higher of the two prices below shall be applied in EUR:

- the highest price of the purchase of the transmission system operator on organized markets associated with a balancing action if such price exists,
- weighted average daily price for the gas day according to the OTE Index for the relevant day, increased by 2%–5% according to the volume of system imbalance.

For positive daily imbalance quantity, the lower of the two prices below shall be applied in EUR:

- the lowest price of the sale of the transmission system operator on organized markets associated with a balancing action if such price exists,
- weighted average daily price for the gas day according to the OTE Index for the relevant day, reduced by 2% – 5% according to the volume of system imbalance.

Daily imbalance quantities (DIQ) and their prices in 2020



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GAS MARKET
LINEPACK FLEXIBILITY SERVICE

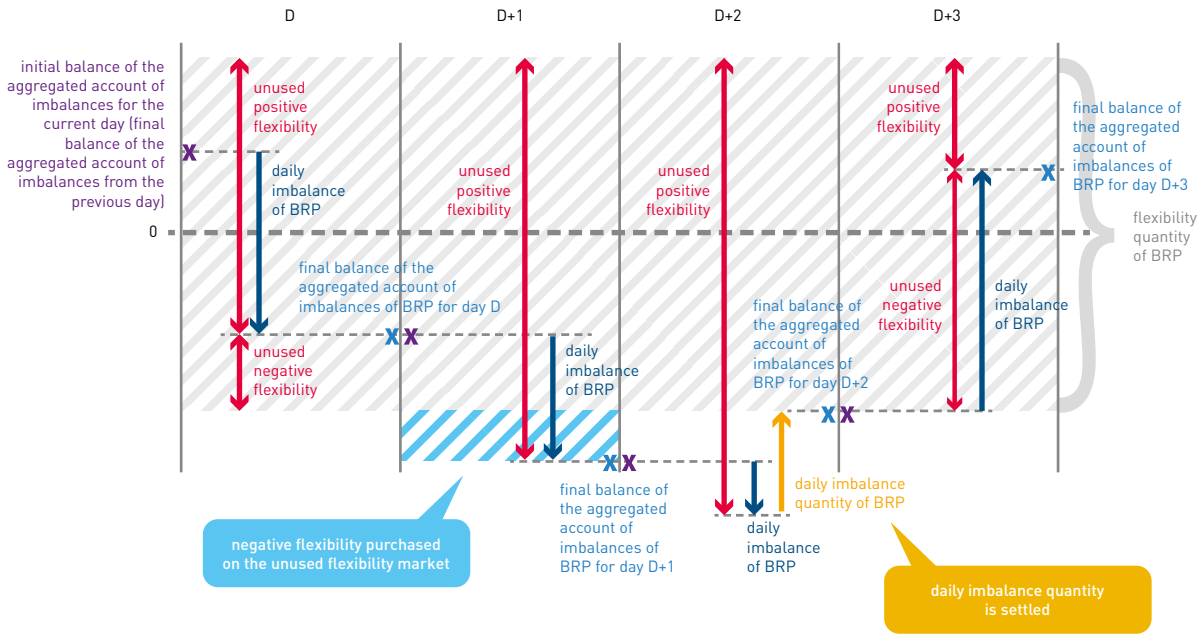
The linepack flexibility service is the only tool allowing balance responsible parties to make use of the inherent capability of the gas system, which is linepack change with no impact on the smooth and secure operation of the gas system.

Flexibility
The gas system allows for using a linepack flexibility service. It facilitates oscillations of trading positions of balance responsible parties within the set flexibility limit so that no additional costs of offsetting gas imbalances are incurred unless these limits are exceeded. The flexibility service is provided free to those balance responsible parties that have a reserved capacity at border points or at gas storage points (unless the allocation rule ensuring equality of nomination and allocation is applied at these points for the relevant gas day), and those balance responsible parties responsible for imbalances at specific points of delivery. The amount of the provided flexibility is derived from the volume of the reserved capacities and their utilization, or by employing a substitute method for points of delivery with non-interval type of metering.

Unused flexibility
Unused flexibility of each balance responsible party is determined for the relevant gas day as the difference between the current balance of the flexibility account of the relevant balance responsible party (prior to the launch of the unused flexibility market) and the amount of flexibility provided for the relevant day to this balance responsible party, while respecting the direction of the purchased and sold flexibility.

Unused flexibility market
OTE organizes the unused flexibility market in CZK currency on the principle of matching supply and demand curves on each gas day for the previous gas day. It is a platform that will enable individual balance responsible parties to use the market approach for settling directly between them imbalances that, even though they exceed the flexibility of the balance responsible party, in view of the overall position of the gas system the imbalances do not represent a situation that would require a balancing action of the transmission system operator. The balance responsible parties are motivated to participate in the unused flexibility market to prevent financial settlement of the daily imbalance quantities. However, if a system imbalance (the sum of all daily imbalances of balance responsible parties) occurs that could lead to the gas system requiring a balancing action of the transmission system operator, the rules of the unused flexibility market ensure that such an imbalance cannot be used on the unused flexibility market (i.e. it will not be possible to acquire unused flexibility of other balance responsible parties to cover the imbalance), and the balance responsible party will pay an applicable price for this imbalance exceeding the flexibility limit.

Imbalance account with purchased unused flexibility and daily imbalance quantity



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