

ELECTRICITY MARKET TARIFFS REGULATION

PART ONE General Provisions SECTION ONE

Objective, Scope, Legal Basis, Definitions and Abbreviations

Objective

Article 1- The objective of this Regulation is to set out the principles and procedures governing the preparation, examination, evaluation, modification and approval of the regulated tariffs in the electricity market.

Scope

Article 2- This Regulation covers the criteria for the preparation of tariff proposals by Turkish Electricity Transmission Co. Inc, Turkish Electricity Trading and Contracting Co. Inc. and the legal entities holding distribution and retail licenses and the principles and procedures governing determination of the revenue and/or average price caps of such legal entities.

Legal Basis

Article 3- This Regulation has been drafted in compliance with the provisions of the Electricity Market Law No. 4628.

Definitions and Abbreviations

Article 4- For the purposes of interpretation and implementation of this Regulation, the following terms and abbreviations shall bear the following meanings:

1. **Law:** Electricity Market Law No. 4628 dated February 20, 2001,
2. **Authority:** The Energy Market Regulatory Authority,
3. **Board:** The Energy Market Regulatory Board,
4. **President:** President of the Energy Market Regulatory Board,
5. **TEIAS:** Turkish Electricity Transmission Co. Inc.,
6. **TETAS:** Turkish Electricity Trading and Contracting Co. Inc.,
7. **Preparatory Period:** The period set out in Provisional Article 3 of the Law,
8. **Customer category:** The real persons and legal entities subject to same service standards,
9. **Distribution:** The transport of electricity through 36 kV or lower lines,
10. **Distribution connection charge:** The charge collected for recovering the costs arising from the connection of users to the distribution system,
11. **Distribution region:** The region defined in the license of a distribution company,

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12. Distribution system: Electricity distribution facilities and grid within a designated distribution region,

13. Use of distribution system charge: The charge calculated with due regard to distribution system investment costs and the operation and maintenance costs arising from provision of distribution service,

14. Distribution Facility: All facilities and grid established exclusively for distribution of electricity at the termination point of transmission facilities,

15. Distribution Company: Any legal entity engaged in electricity distribution in a certain geographical region,

16. Electricity Market Index: The index determined by the Board to reflect the price increases in the market,

17. Electricity Market Licensing Regulation: The Regulation published in the Official Gazette No. 24836 dated August 4, 2002.

18. Price: The charges indicated in the approved tariffs of the licensees subject to tariff regulation,

19. Revenue Control: The control enforced by the Authority in order to determine the revenue and/or average price caps of the licensees subject to tariff regulation within an implementation period according to the provisions of the related Communiqués,

20. Transmission: The transport of electricity through lines higher than 36 kV,

21. Transmission connection charge: The charge collected for recovering the costs arising from the connection of users to the transmission system,

22. Transmission Surcharge: The charge that may be collected on behalf of the Authority in the transmission tariff,

23. Transmission Facility: All facilities, including medium voltage feeders of transmission switchyards, starting from the termination point of generating facilities connected at a voltage level higher than 36 kV up to connection points of distribution facilities,

24. Transmission System: The electricity transmission facilities and transmission network,

25. Use of transmission system price: The charge calculated with due regard to the investment costs and the operation and maintenance costs arising from provision of transmission service,

26. Transmission system operation price: The charge calculated with due regard to the cost of service provided by National Load Dispatch Center, investment costs and the fixed costs pertaining to ancillary services,

27. Applicable Legislation: The laws, regulations, licenses, communiqués, circulars and Board decisions regarding the energy market,

28. Bilateral Agreements: The commercial agreements between real persons or legal entities and the legal entities holding licenses or among legal entities holding licenses for the

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purchase and/or sale of electricity and/or capacity under the provisions of civil law without requiring Board approval,

29. User: The real persons and legal entities benefiting from a transmission and/or distribution system,

30. License: The permit granted by the Board to legal entities in accordance with the applicable legislation in order to enable them to engage in market activities,

31. Autoproducer: Any legal entity engaged in electricity generation primarily for its own electricity needs,

32. Autoproducer Group: Any legal entity engaged in electricity generation primarily for needs of its affiliates,

33. Parameter: The values that are included in the formulas to be enforced as part of the revenue control within the framework of the related Communiqués and that are inserted in the licenses of the licensees subject to tariff regulation as effective during the implementation period,

34. Retail: The sale of electricity to consumers,

35. Retail price: The price calculated with due regard to the price cap regarding retail sale, target levels for loss/theft and gross profit margin,

36. Retail Service: Excluding the sale of electricity and/or capacity, other services such as meter reading and invoicing provided by companies holding retail licenses to consumers,

37. Retail service price: The price calculated on the basis of the retail service cost,

38. Market: The electricity market covering generation, transmission, distribution, retail, wholesale, import and export of electricity and capacity, and transactions directly relating to those activities,

39. Market Financial Reconciliation Center: The body of the Turkish Electricity Transmission Co. Inc. that shall operate the financial reconciliation system through calculating amounts payable or receivable by legal entities operating in the market, based on differences between actual purchases – sales as a result of the real time physical balancing of energy supply and demand by National Load Dispatch Center, in accordance with the provisions of the applicable legislation,

40. Non-eligible consumer: Any real person or legal entity that can purchase electricity and/or capacity only from retail companies or from a distribution company holding retail license in its region,

41. Eligible consumer: Any real person or legal entity that has the right to choose its supplier, due to its consumption of more electricity than the amount set by the Board and/or its direct connection to the transmission system,

42. Consumer: All eligible or non-eligible consumers, purchasing electricity for their own needs,

43. Tariff: The provisions covering prices, terms and conditions related to transmission, distribution and sale of electricity and/or capacity and related services

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44. Licensees subject to tariff regulation: TEIAS, TETAS, distribution licensees and the retail licensees supplying electricity and/or capacity and/or providing retail services to non-eligible consumers,

45. Supplier: Any generation company, autoproducer or autoproducer group, wholesale company, retail company and distribution company holding retail license, providing electricity and/or capacity to customers,

46. Facility: Plant and equipment installed to perform the functions of generation, transmission or distribution of electricity,

47. Wholesale: The sale of electricity for resale,

48. National Load Dispatch Center: The unit under the body of TEIAS responsible for real-time physical balancing of electricity demand and supply,

49. Implementation period: The period during which the parameters shall be effective,

50. Generation: The transformation of energy resources into electricity in power plants,

51. Ancillary Services: Services to be provided by all legal entities connected to the transmission system and/or distribution system within the scope of the Grid Regulation and/or the Distribution Regulation

52. Market management price: Price calculated for in due regard to services and costs of investments supplied by Financial Settlement Centre.¹

SECTION TWO Regulated Tariffs

Types of Regulated Tariffs

Article 5- The transmission and distribution activities in the market and the sale of electricity and/or capacity and/or provision of retail service to non-eligible consumers shall be regulated through tariffs within the framework of the principles and procedures indicated herein.

The regulated tariffs shall include the following:

- Transmission connection tariff,
- Distribution connection tariff,
- Transmission tariff,
- Distribution tariff,
- Retail tariff,
- Wholesale tariff of TETAS.

¹ Inserted by the Regulation published on the Official Gazette no. 25929 dated 7 September 2005

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The wholesale tariff of TETAS shall be subject to regulation by the Authority as per the provisions of Provisional Article 1.

Transmission connection tariff

Article 6- The transmission connection tariff prepared and proposed by TEIAS shall include the transmission connection charge as well as the principles and procedures applicable to the implementation of the tariff.

The transmission connection charge shall not include network investment costs.

The transmission connection charges shall be calculated as per the provisions of the “Communiqué regarding the Determination of Transmission and Distribution Connection Charges”.

Distribution Connection Tariff

Article 7- The distribution connection tariff prepared and proposed by distribution licensees shall include distribution connection charge as well as the principles and procedures applicable to the implementation of the tariff.

The distribution connection charge shall not include network investment costs.

The distribution connection charges shall be calculated as per the provisions of the “Communiqué regarding the Determination of Transmission and Distribution Connection Charges”.

Transmission Tariff

²**Article 8-** The transmission tariff prepared by TEIAS includes the use of transmission price, transmission system operation price, and market management price as well as the principles and procedures applicable to the implementation of the tariff.

The use of transmission system price is calculated as per the provisions of the “Communiqué regarding the Regulation of Transmission System Revenue”; and the transmission system operation price is calculated as per the provisions of the “Communiqué regarding the Regulation of Transmission System Operation Revenue”; and the market management price is calculated as per the provisions of the “Communiqué regarding the Regulation of Market Management Price.”

Distribution Tariff

Article 9- The distribution tariff prepared by the distribution licensees shall include the use of distribution system prices as well as the principles and procedures applicable to the implementation of the tariff.

The use of distribution system prices shall be calculated as per the provisions of the of the “Communiqué regarding the Regulation of Distribution System Operation Revenue”

² Amended by the Regulation published on the Official Gazette no. 25929 dated 7 September 2005

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Retail Tariff

Article 10- The retail tariff prepared by retail licensees for sale of electricity and/or capacity to non-eligible users shall include retail prices and retail service prices as well as the principles and procedures applicable to the implementation of the tariff.

The retail prices and/or retail service prices shall be calculated as per the provisions of the “Communiqué regarding the Regulation of Retail Service Revenue and Retail Energy Sale Prices”.

The consumers, the consumption level of which exceed the limits required for being an eligible consumer and that do not exercise their right to choose their own suppliers, shall continue to be supplied electricity and/or capacity under the retail tariff that its retail licensee applies to non-eligible consumers.

PART TWO Revenue Control and Tariff Proposals

SECTION ONE Revenue Control

Revenue control and parameters

Article 11- The parameters to be used in the calculations regarding the determination of revenue and/or price caps of the licensees subject to tariff regulation for one implementation period shall be determined through revenue control performed by the Authority.

The principles of revenue control

Article 12- The following criteria shall be taken into consideration during revenue control:

- a) Ensuring reliable, adequate, quality, uninterrupted, low-cost and environment-friendly electricity supply to consumers,
- b) Establishment of non-discriminatory revenue control structure,
- c) Ensuring that the parameters within the scope of revenue control reflect costs,
- d) Increasing the service quality and efficiency with due regard to the security of transmission and distribution services,
- e) Ensuring the financial viability of legal entities with due regard to their efficiency levels,
- f) Facilitation of efficient long-term investments,
- g) Facilitation of effective competition,
- h) Ensuring the pass-through of gains from increased efficiency and competition,
- i) Ensuring that cross subsidies between activities are prevented.

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Revenue control schedule

Article 13- The work towards determining the parameter values for revenue control to be in effect for an implementation period shall be commenced minimum twelve and maximum eighteen months before October 31 of the last year of the current implementation period.

The information and documents to be submitted for revenue control

Article 14- The legal entities subject to tariff regulation shall submit the following information and documents prepared within the framework of the schedule determined for revenue control and the provisions of the “Communiqué regarding Electricity Market Chart of Accounts, Regulated Items and Reporting” as well as other provisions in the applicable legislation:

- a) The financial statements prepared for the current implementation period,
- b) Annual demand, cost and revenue estimates prepared for the next implementation period,
- c) The consumption levels and the related accrual and collection levels for the current implementation period for each customer category,
- d) The consumption, accrual and collection estimates for the next implementation period for each customer category,
- e) The investment plan progress and evaluation report for the current implementation period,
- f) The investment plans for the next implementation period.

Any information and document required during the revenue control may be requested from the licensees and the legal entities may be invited for interviews.

Determination of the revenue and/or price cap parameters to be used in revenue control

³**Article 15-** The parameters regarding the transmission system revenue cap, transmission system operation revenue cap, market management revenue cap and the use of distribution system revenue cap are set to allow to recover the regulatory operating expenses, regulatory depreciation costs and a return on the regulated asset base calculated as per the provisions of the “Communiqué regarding Electricity Market Chart of Accounts, Regulated Items and Reporting” as well as the provisions of the applicable legislation, to the extent the efficiency, quality and loss-theft target levels applicable for the type of the activity are achieved.

The parameters regarding the retail prices are set with due regard to the price cap regarding energy purchase, loss-theft target levels and gross profit margin and to allow to recover retail service costs calculated as per the provisions of the “Communiqué regarding

³ Amended by the Regulation published on the Official Gazette no. 25929 dated 7 September 2005

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Electricity Market Chart of Accounts, Regulated Items and Reporting” as well as the provisions of the applicable legislation, to the extent efficiency targets are achieved.

The revenue control shall not take any non-tariff and/or below-tariff practices and any form of cross-subsidy into account. The expenditures that will not be included as cost items in any form during the revenue control and/or that will be allowed to a certain extent determined by the Board shall be subject to the provisions of the “Communiqué regarding Electricity Market Chart of Accounts, Regulated Items and Reporting” as well as the provisions of the applicable legislation.

Decisions regarding revenue control and license modification

Article 16- At the end of the revenue control process, a Board decision shall be issued regarding the parameters and the implementation period. Such parameters shall be inserted in the licenses of the licensees subject to tariff regulation. Such modification shall be deemed as a “license modification due to changes in the applicable legislation” as per the provisions of the “Electricity Market Licensing Regulation”.

SECTION TWO

Tariff Application, Examination and Evaluation, Tariff Approval

Tariff application

Article 17- The licensees subject to tariff regulation shall prepare and submit to the Authority for Board approval their tariff proposals that include the prices to be effective in the following year and the applicable procedures and principles as per the provisions of the applicable legislation by the end of October every year.

The legal entities subject to tariff regulation shall submit the Authority the information and documents pertaining to the following issues at least sixty days prior to submitting their tariff proposals to the Authority:

- a) Pricing methodology,
- b) Service cost analysis,
- c) Sample price calculations.

Following the submission of the tariff proposal to the Authority, if included in the related Communiqué, legal entities shall also submit the Authority the calculations regarding revenue correction factor, loss-theft adjustment factor, and investment correction factor and the data forming the basis for such calculations.

The evaluation regarding whether or not the documents requested from the legal entities for tariff application have been delivered in accordance with tariff application principles, shall be completed within five working days following the registration of the application documents in the Register of the Authority at the Headquarters.

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The tariff applications, that are not deemed to be delivered in accordance with tariff application principles, shall not be taken into consideration until such missing or non-factual information are completed. The reasons for rejection shall be notified to the applicant in writing and such licensee shall be given ten working days following the date of notification to modify its tariff proposal.

In case the applicant fails to file its application and/or revise and eliminate such reasons for rejection within the specified period, the provisions of Article 19 shall be applicable.

The tariff applications that are deemed to be duly delivered shall be accepted in the examination and evaluation process.

Examination, evaluation and approval

Article 18- The examination and evaluation of the tariff proposals shall be completed by the Authority before December 31 of the current year.

Any information and document required during the examination and evaluation of the tariff proposals may be requested from the licensees and the legal entities may be invited for interviews.

If the tariff proposal is deemed appropriate, the tariffs proposals shall be approved. The tariffs approved shall be effective for the tariff period between January 1 and December 31 of the following year. The licensees subject to tariff regulation shall be obligated to announce their approved tariffs through publishing them in the press.

In case the tariff proposal is not deemed appropriate, the reasons for rejection shall be notified to the licensee in writing and such licensee shall be given an appropriate period of time that will allow the Authority to finalize the examination and evaluation of the tariff proposal, within the limits of time set out in the Law, to modify its tariff proposal.

In case the licensee fails to revise and eliminate such reasons for rejection and submit its tariff proposal within the specified period, the provisions of Article 19 shall be applicable.

Provisions regarding failure to comply with obligations

Article 19- Excluding force majeure conditions, the following conditions shall mean the failure of the licensee to comply with its obligations:

- a) Failure to complete tariff application within the periods specified,
- b) Failure to eliminate any missing and/or non-factual information and/or documents in the tariff application within the periods specified,
- c) In case the tariff proposal is rejected, failure to modify its tariff proposal to eliminate the reasons for such rejection and to submit it to the Authority within the periods specified.

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In such cases, the provisions of Article 11 of the Law shall be applicable and the licensee shall be warned to fulfill its obligations within thirty days. Within this period, tariffs currently in force shall continue to apply without making any automatic price adjustments. In case of failure to fulfill the obligations within thirty days despite the warning, paragraphs 2 and 3 of Article 11 of the Law shall be applicable.

In cases where force majeure conditions occur; tariffs currently in force shall continue to apply, making the automatic price adjustments until new tariffs are approved, until such time that the effects of force majeure conditions on fulfilling the obligations regarding the submission of the tariff proposal are eliminated.

SECTION THREE

Principles Governing the Preparation of Tariff Proposals

Compliance with parameters and Communiqués

Article 20- The prices included in the tariff proposals shall be calculated with due regard to the parameters pertaining to revenue control and the revenues determined in accordance with the provisions of the related Communiqués.

Price Structure in the Tariff Proposal

Article 21- The price structure in the tariff proposal may be formed of fixed and/or variable components.

Price structure shall include energy (active-reactive), power expressed in kW, connection capacity and similar items as variable components.

The prices in the scope of tariff proposal may be prepared taking the following into consideration:

- a) Locational characteristics,
- b) Voltage and power levels,
- c) Time of day (night, day, peak and similar) and time of year,

The retail service prices shall be determined as a fixed charge separately for each customer category.

The price structure in the tariff proposals shall not include any item that is not directly related to the market activities of the licensees subject to tariff regulation. The price structure in any tariff approved by the Board may under no condition be modified.

In cases where consumers in certain regions and/or in line with certain objectives need to be supported, such subsidies shall be provided in the form of direct cash refunds to consumers without affecting the price structure and the prices. The amount, procedure and

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principles of these refunds shall be determined by the Council of Ministers upon the proposal of the Ministry of Energy and Natural Resources.

Customer Categories

Article 22- The customer categories included in the tariff proposals shall basically cover residential, industrial, commercial, agricultural irrigation and public illumination categories.

The legal entities subject to tariff regulation may propose sub-categories under the main categories or new categories with regard to the locational characteristics and load curves. However, consumers included in the same customer category shall have similar cost structures and similar consumption or demand patterns.

Pricing Methodology

Article 23- The tariff proposal, to be prepared in line with the revenue and/or price cap within the scope of the revenue control, shall be based on a pricing methodology to be submitted as per Article 17 and such pricing methodology shall be defined in a clear and comprehensible manner within the tariff proposal application.

Determination of transmission and distribution prices through service cost analysis

Article 24- The tariff proposals regarding transmission and distribution activities should be based on a service cost analysis that has been submitted as per Article 17 and has been performed using marginal cost approach which;

- a) defines the criteria considered in determining the users or customer categories subject to a different price implementation within the scope of the tariff proposal by legal entities subject to tariff regulation,
- b) defines the cost items regarding the use and expansion of the network,
- c) sets forth the effect of the electricity transmitted and/or distributed and the standard of the services provided on the existing and future cost levels, for each user and customer category and each cost item.
- d) translates the existing and future costs into prices applicable to users and customer categories,
- e) identifies minimum service costs for each user or customer category.

Determination of retail charges through service cost analysis

Article 25- The tariff proposals regarding retail activities should be based on a service cost analysis that has been submitted during tariff application in which;

- a) the customer categories and the criteria considered in forming such categories are defined,

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b) the effect of the electricity and/or capacity sold and the standard of the services provided on the existing and future cost levels are set forth for each customer category and each cost item,

c) the costs of doubtful receivables and non-collectable receivables are identified for each customer category,

d) the existing and future costs are translated into prices applicable to each customer category.

Prices should reflect current and future costs

Article 26- The prices included in the tariff proposals should reflect the current and future costs. To this end, the prices

a) should be based on actual costs for each customer group,

b) should reflect the cost of required available capacity,

c) should signal the impact of additional network usage on future investment costs.

Elimination of the difference between the revenues based on the prices calculated on the basis of service cost analysis and the revenue cap

Article 27- In case there are differences between the revenues based on the charges calculated on the basis of service cost analysis and the revenue cap determined for the related tariff period, the prices included in the tariff proposal shall be balanced by adding new components to eliminate such differences.

In determination of new components, the envisaged effect of the prices calculated on the basis of the service cost analysis on the consumption and investment decisions should be maintained and the new component shall primarily be a fixed component.

In case the fixed component is not adequate and inclusion of a variable component is required, variable components based on electricity consumed and/or contracted capacity may be used. The differences balanced through variable components may not exceed the long-run marginal cost of service provision.

The components used in balancing the use of transmission system and distribution system prices shall be implemented in a non-discriminatory manner

Pass through of prices included in the transmission and distribution tariffs to consumers

Article 28- When passing through the prices included in the transmission and distribution tariffs to consumers, the price structure in these tariffs should be preserved, taking into consideration the customer categories set out in retail tariffs.

The charges related to transmission and/or distribution, which are not included in the revenue and/or price cap calculations of the legal entities subject to tariff regulation but are invoiced to themselves by other legal entities subject to tariff regulation, shall separately be

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added to the prices that will be applied by such legal entities to the customers and/or consumers that they provide services.

With regard to eligible consumers, the amounts relating to the use of transmission system charge and transmission system operation charge may be collected from distribution licensees, suppliers or eligible consumers that are connected to the distribution system. In this case, the charges under transmission tariff and distribution tariff shall be indicated separately in payment notices.

With regard to non-eligible consumers, the amounts relating to the use of transmission system and distribution system charges and transmission system operation charge shall be indicated separately in the payment notices prepared by retail licensees pertaining to retail activities.

SECTION FOUR Common Provisions

Automatic price adjustments

Article 29- In order to ensure the recovery of the cost changes based on inflation during the effective period of the tariff, the prices in the regulated tariffs may be adjusted in one-month intervals without requiring any Board approval according to the change percentage in the Electricity Market Index.

The resulting tariffs after the automatic price adjustments shall be notified to the Authority and shall be announced to the public by the licensees subject to tariff regulation through publication in the press.

Taxes

Article 30- The taxes and legal deductions collected and transferred by licensees subject to tariff regulation shall be included in their payment notices as a separate item.

Application of tariffs subject to supervision and regulation

Article 31- The Authority shall supervise whether legal entities subject to tariff regulation perform their activities in line with the applicable legislation.

The terms and conditions regarding the application of regulated tariffs shall be determined as per the provisions of the Customer Services Regulation and other provisions of the applicable legislation relating to tariffs.

Total amount of correction factors in cases of the termination and cancellation of licenses

Article 32- The Authority shall perform the necessary procedures in order to ensure that the total amount of adjustment factors (comprising of revenue correction factor, loss-theft adjustment factor and investment correction factor that are calculated and identified as per the provisions of the “Communiqué regarding Electricity Market Chart of Accounts, Regulated Items and Reporting” as well as other provisions of the applicable legislation) be passed through to distribution tariffs in cases of the termination and cancellation of licenses.

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SECTION FIVE Other Provisions

Transmission surcharge

Article 33- The transmission surcharge ratio shall be annually determined by the Board and shall be published in the Official Gazette together with its enforcement date until October 15 of each year.

The transmission surcharge shall not be included in the use of transmission system price and transmission system operation price and shall be included as a separate item in the payment notices.

Unforeseeable events

Article 34- In case of any of the following conditions and through a Board decision to be made upon the request of licensees subject to tariff regulation or if deemed necessary by the Board; an examination shall be commenced to modify the parameters determined for the related implementation period:

- a) If the provisions of other legislation in effect, as well as the applicable legislation, are amended in manner that may explicitly affect the tariffs,
- b) If the license modifications lead to changes that may explicitly affect the tariffs,
- c) If the force majeure conditions occur.

The results of the examination and evaluation performed by the Authority within sixty days in the framework of the terms and conditions set forth in this Regulation shall be enforced following the Board decision.

The modifications made in the parameters shall be inserted to the relevant licenses to be in effect until the termination of the implementation period. Tariff proposals to be submitted by legal entities subject to tariff regulation based on the new parameters shall be examined and evaluated within the framework of the terms and conditions set out in this Regulation and shall be finalized within sixty working days.

Submission of tariff proposals during the first license application

Article 35- Excluding the legal entities to apply for license within the framework of the subparagraphs (a), (b), (c), (d) and (e) of the Provisional Article 4 of the Electricity Market Licensing Regulation, those legal entities to apply for the first time to be engaged in tariff-regulated activities should have applied to the Authority thirty days prior to their license application date in order to obtain information as to what documents and information will be requested for their tariff proposal in the scope of their license applications.

Inapplicable provisions

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Article 35- Those provisions of the Electricity Tariffs Regulation published in the Official Gazette No. 22458 of 9 November 1995 relating to issues regulated under this regulation shall be annulled as of the publication date of this regulation.

SECTION SIX

Provisional and Final Articles

Provisional Article 1- The principles and procedures regulating the wholesale tariff applicable to electricity and/or capacity sales by TETAS, the sales price applicable to eligible consumers directly connected to the transmission system and the loading and de-loading bids/offers in the Market Financial Reconciliation Center shall be determined by the Board and shall be included in the license of TETAS.

In the determination of the terms and conditions governing the wholesale tariff of TETAS, the Board shall consider whether the average price of the electricity and/or capacity purchased by TETAS has been passed through to the tariff and whether TETAS is able to fulfill its financial obligations.

Provisional Article 2- Following the issuance of licenses for legal entities subject to tariff regulation, the tariffs for the current year shall be approved within the framework of the following terms and conditions:

a) The legal entities which are currently operating in the market as of the publication date of this Regulation shall commence their work towards preparing the tariff proposals that they are required to submit as per Article 13 of the Schedule No. "3" of the "Electricity Market Licensing Regulation" titled "Information and Documents to be Submitted by Legal Entities During License Application" as of the termination of the preparatory period,

b) The Authority shall determine the information and documents to be submitted by the legal entities subject to tariff regulation for revenue control and shall notify such legal entities thereof,

c) The information and documents set out in sub-paragraphs (a), (b) and (c) of the second paragraph of Article 17 shall be submitted to the Authority minimum thirty days prior to the license application date of the legal entities applying for license in the framework of sub-paragraphs (a), (b), (c), (d) and (e) of the first paragraph of Provisional Article 4 of the Electricity Market Licensing Regulation.

The fact that the legal entities subject to tariff regulation which are operating in the market as of as of the end of the Preparatory Period have not been granted the related licenses required as per the provisions of the Law shall not prevent the enforcement of this provision.

Provisional Article 3- Until the tariffs are approved and put into force as a result of the revenue and/or price control to be carried out in the framework of this Regulation, the

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tariffs regulated in the framework of the Electricity Tariffs Regulation published in the Official Gazette No. 22458 dated November 9, 1995 shall continue to be effective.

Provisional Article 4- The “Consumer Price Index for Urban Areas” published by the State Statistics Institute shall be deemed as the Electricity Market Index for the first implementation period.

Provisional Article 5- The distribution licensees shall install the infrastructure required for measuring the consumption of all real persons legal entities that are supplied under gratuitous illumination, until January 1, 2004.

Provisional Article 6- The “Communiqué regarding Electricity Market Chart of Accounts, Regulated Items and Reporting” shall be prepared and published by the Authority within three months following the publication of this Regulation.

Effectiveness

Article 37 - This Regulation shall be effective on the date of its publication in the Official Gazette.

Enforcement

Article 38 - This Regulation shall be enforced by the President.

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