Ukrainian Energy Exchange denies
information on the non-transparency of electricity auctions
and on non-compliance with EU exchange standards

Given that in recent days there have been statements in the media about the Ukrainian Energy Exchange (UEEX) holding auctions for the sale of electricity by state producers, the Ukrainian Energy Exchange reports the following.

Regarding electricity auctions:

Paragraph 6 part 2, Art. 66 of the Law of Ukraine "On the Electricity Market" enshrines the obligation of state producers to sell electricity under bilateral contracts at electronic auctions, the procedure for which is approved by the Cabinet of Ministers of Ukraine.

Accordingly, the Cabinet of Ministers of Ukraine Resolution of June 5, 2019 № 499 approved the "Procedure for conducting electronic auctions for the sale of electricity under bilateral contracts" (hereinafter - the Procedure).

The Ukrainian Energy Exchange has received the right to conduct auctions for the sale of electricity from state producers in accordance with the results of competitive selection in accordance with the Procedure for selection of organizers of electronic auctions for the sale of electricity under bilateral contracts. For this purpose, a tender commission was formed by Ministry of Energy with the participation of representatives of the Ministry of Energy, the Ministry of Economy, the NEURC and the AMCU.

Please note that the Procedure provides for the functioning of the Auction Committee, which includes representatives of the Ministry of Energy, the NEURC, the Ministry of Economy, the Antimonopoly Committee of Ukraine and state sellers of electricity. The Chairman of the Auction Committee is the Minister of Energy or his Deputy. The Exchange may conduct auctions **only** within the rules established by the Procedure. The moments of conducting auctions, which are not regulated by the Procedure, are determined in the Regulations of the Exchange, which are approved by the Auction Committee. In addition, the Auction Committee monitors the conduct of auctions for compliance with the auction participants and the exchange regulations, develops and provides recommendations to the exchange on measures to support fair competition, determines the forms and technologies of the auction and more. That is, the Auction Committee fully determines and controls the conditions of auctions for the sale of electricity and has the competence to change them.

Thus, auctions for the sale of electricity are totally controlled by the state and the Ministry of Energy, in particular.

The Ukrainian Energy Exchange ensures full transparency of such electronic auctions by publishing all information on the progress and results of bidding, as defined by the Procedure. Every day the members of the Auction Committee are provided with reports on electricity trading by the Exchange. UEEX cooperates with all regulatory authorities to assist in identifying possible facts of unfair competition.

During the auctions, the state regulation and the Auction Committee changed the conditions and requirements for the auctions many times, which required significant technical readjustments of the electronic trading system, which was provided by UEEX without any delay in implementation.

In particular, a number of technical solutions aimed at improving bidding mechanisms and meeting the needs of market participants for the efficient operation of the electricity market were implemented. No complaints or grievances have been recorded against the Ukrainian Energy Exchange regarding

violations of the Auction Procedure or Regulations. Instead, 174 market participants thanked UEEX and provided recommendations.

Regarding compliance with EU standards:

The Ukrainian Energy Exchange has been selected by the Secretariat of the Energy Community as an exchange capable of implementing European requirements for the organization of competitive exchange trade. Accordingly, a Memorandum was signed between the Energy Community Secretariat, the European Bank for Reconstruction and Development, the Ministry of Energy of Ukraine and the Ukrainian Energy Exchange to ensure the development of UEEX in accordance with European standards. The UEEX Advisory Board includes representatives of the Energy Community Secretariat, the EBRD and the Ministry of Energy of Ukraine. Accordingly, the Advisory Board is actively working on the full transition of UEEX to the standards of European exchanges, clearing, appropriate organizational structure and best technologies. Relevant agreements have been concluded with leading European consultants and vendors, and best experts from European energy exchanges are involved in the work. UEEX cooperates with the world's leading exchanges and solutions developers for leading clearing centers.

The development of short-term trade in natural gas in accordance with EU standards was supported by the NEURC and the GTS Operator of Ukraine LLC by signing a Memorandum with UEEX and the Energy Community Secretariat. Last autumn, UEEX launched a short-term natural gas market in accordance with the requirements of the EU Regulation № 312/2014 and the GTS Code of Ukraine, which allows the market of daily balancing of natural gas to work in a full capacity.

The Energy Community Secretariat, with the participation of the Ukrainian Energy Exchange, is implementing the SEEGAS project, which aims to unite the countries of South-Eastern and Eastern Europe for joint gas trade within one trading area with further integration into the European single gas market. Thus, the creation of a gas hub in accordance with EU standards is already being implemented in Ukraine.

UEEX is a member of the Association of European Energy Exchanges Europex, which includes 29 leading energy exchanges, focuses on developing a European regulatory framework for wholesale trade in energy and renewable energy.

Ukraine has created legislation in accordance with EU standards governing the activities of commodity exchanges. According to the Law of Ukraine 738-IX of 19.06.2020 "On Amendments to Certain Legislative Acts of Ukraine Concerning Simplification of Attracting Investments and Introduction of New Financial Instruments" the activities of commodity exchanges and their clearing activities to determine liabilities are subject to licensing, strict requirements are set for the activities of exchanges (almost similar to the activities of stock exchanges). The regulator is the NSSMC. In compliance with the requirements of the above law, from 22.12.2020 UEEX is reorganized by becoming a limited liability company, as on July 1, 2021 commodity exchanges will have the right to conduct their activities exclusively in the form of JSC or LLC.

In view of the above, the Ukrainian Energy Exchange emphasizes its openness and readiness for dialogue with all authorities, readiness to work according to the best EU rules and practices, thanks to European partners and its 1,200 participants for their trust, declares its further intentions to establish a competitive and transparent market. energy resources of Ukraine, as it is carried out by UEEX last, almost, 11 years.