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INDEPENDENT LIMITED ASSURANCE REPORT

on compliance and measure of compliance by the Joint Stock Company «Market Operator» with the provisions of the «Day-ahead market» and Intraday market Rules for the period from 01 January till 30 December 2020

*To the Management of the Joint Stock Company «Market Operator»,
National Commission for State Regulation of Energy and Utilities*

Introduction

According to the part 1 and 2 of the article 51 of the Law of Ukraine "On the Electricity Market" Joint Stock Company «Market Operator» (hereinafter - «Market Operator») is entitled for functioning of the «day-ahead market» and intraday market according to the market rules for «day-ahead market» and intraday market, which were approved by the resolution of the National Commission for State Regulation of Energy and Utilities (hereinafter – «Regulator») № 308 dd 14.03.2018 (hereinafter – «Market Rules»).

Audit of the «day-ahead market» and intraday market (hereinafter – «Market Audit») is performed according to the requirements of the chapter 1.1, section I of the Market Rules and determines whether the provisions of the Market Rules are complied with and in which measure they are complied with within the audit period.

The subject of the Market Audit is to perform a limited assurance engagement on the fact of compliance and measure of compliance by the Market Operator regarding the provisions of the Market Rules for the period from 01 January 2020 till 31 December 2020, which includes:

- verification of the provision by the participants of «day-ahead market» and intraday market of bids and offers and other permanent and periodic data specified by the Market Rules;
- evaluation of the processes applied by the Market Operator to the data which had been provided by the participants of «day-ahead market» and intraday electricity market according to the Market Rules;
- evaluation of the support of the compliance of the Market Operator software with the provisions of the Market Rules and processes applied to the data provided by the participants of «day-ahead market » and intraday electricity market according to the Market Rules.

We assessed the subject of the engagement according to the applied criteria, namely determined their compliance with the Market Rules in terms of the manner, form, timing and procedure. We believe that the application of these criteria is justified for the purpose of our limited assurance engagement.

The scope of our procedures had been limited by the verification of qualitative and quantitative information, which is disclosed in Annex 1 to this report.

Responsibility for the Subject Matter

Market Operator is responsible for the organization of the purchasing and selling electricity in the «day-ahead market» and intraday market, creates organizational, technological, informational and other conditions for regular bidding under the rules of the «day-ahead market» and intraday market, conclusion, performance and settlement of the contracts and performing oversight over the compliance with Market Rules.

Regulator is entitled for control over compliance with Market Rules.

Scope of Limited Assurance Engagement

Our responsibility is to issue a report on the subject matter discussed above based on our limited assurance engagement.

We conducted our engagement in accordance with International Standard on Assurance Engagements (ISAE) 3000 (Revised) *“Assurance engagements other than audits or reviews of historical financial information”* applicable to assurance engagements. We apply International Standard on Quality Control (ISQC) 1 and, accordingly, maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We have complied with the independence and other ethical requirements of *the International Ethics Standards Board for Accountants’ Code of Ethics for Professional Accountants* (including International Independence Standards) (IESBA Code), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our assurance procedures in this engagement were significantly smaller compared to the task on provision of reasonable assurance, thus they provide a lower level of confidence. Consequently, we do not express an audit opinion.

Procedures performed

Taking into account the level of confidence and the risk of the engagement our work included but was not limited to by the following:

- interview of key employees of the Market Operator;
- evaluation of the design of the processes , systems and controls for organization of the purchasing and selling of electricity on the «day-ahead market » and intraday market;
- testing on a sample basis the validity and accuracy of the calculation of the prices and volumes of the selling and purchasing of electricity on the «day-ahead market» and intraday market by using the alternative software;
- testing on the sample basis compliance with the settlement rules and Market Rules in terms of determination by the Market Operator of the liabilities for the purchased or sold electricity of the «day-ahead market» and intraday market participants and accuracy of the determination of the Market Operator’s cost of services;
- testing on the sample basis the «day-ahead market» and intraday market bids for compliance with the requirements for bidding, set out in the chapters 1 and 2 of the Requirements for Bidding on «day-ahead market» and intraday market, which is an appendix to the Market Rules.

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