

Settlement rules for Day Ahead and Intraday market segments

INDEPENDENT BULGARIAN ENERGY EXCHANGE



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Chapter I General provisions

General provisions

1. These rules are Appendix №3 to the Power Exchange Operational Rules.
2. These rules cover the financial relationships and Financial obligations arising from transactions conducted on the organized power exchange for electricity segments Day Ahead (DAM) and Intraday (IDM), considering the following principles:
 - 2.1. *The power exchange operator, hereinafter referred as IBEX/the Operator, acts as a counter party to all purchase and sale transactions, conducted on the power exchange for DAM and IDM market segments;*
 - 2.2. *Transactions which are not covered by collateral available are not allowed to be conducted on DAM and IDM market segments;*
 - 2.3. *Each trading participant (TP) can access via the relevant web-based platform, information on the transactions for purchase and sale of electricity, available and required collateral as well as information, concerning the Financial obligations, resulting from the conducted transactions on the market.*
3. Settlement services provided by IBEX, regarding trading carried out on the power exchange segments DAM and IDM shall be subject to charges in accordance with IBEX's Tariff.

Chapter II Collateral

Types of collateral

4. For the purposes of securing its Financial obligations, each TP should maintain collateral, which at any time meets the requirements set for its amount.
5. The TP are obliged to submit available collateral as per the types according Art.6, in order to:
 - 5.1. *Guarantee the Financial obligations, arising from transactions conducted on the power exchange for electricity segments Day Ahead (DAM) and Intraday (IDM);*
 - 5.2. *Participation on a trading session on DAM and submitting offer on IDM;*
6. IBEX shall accept collateral of one or a combination of the following types:
 - 6.1. *A bank guarantee accepted by IBEX in BGN/EUR, expiring next January, 31st. IBEX publishes the text of the bank guarantee and the eligibility conditions on its website. The amounts of the provided bank guarantees are not taken into account fifteen working days prior to the expiration day of the respective bank guarantee in case the new one with new expiration day is not submitted.*
 - 6.2. *An amount paid to an account provided by IBEX in BGN. IBEX shall not be indebted with any interest on amounts paid by TP.*
7. Trading participants who chose to provide a bank guarantee as a collateral, are obliged:

- 7.1. *To pay all the costs of providing it to both the issuing bank (guarantor) and the beneficiary's bank, including (but not limited to) the fees and commissions for advising bank guarantees on presentation through the service bank(s). The issuing bank of the guarantees shall explicitly indicate to the beneficiary's bank that the commissions for advising bank guarantees are at the expense of the trading participant and are negotiable;*
- 7.2. *To provide a new bank guarantee with validity period of twelve months, at least fifteen working days before the expiry date of the currently provided one.*

Minimum collateral

8. IBEX shall require all trading participants, members of the power exchange for electricity segments DAM and IDM minimum collateral amount, the amount of which is indicated in IBEX's Tariff.

Required collateral

9. The required collateral amount, upon registration and prior to transaction conducting, is according the provisions of Art.8.
10. The required collateral amount when a transaction is conducted is not less than the amount according Art.8. and shall be set in BGN for each Financial day and represents the highest daily margin for the last thirty days.
11. The daily margin is calculated as multiplication of the Daily net position in MWh and the Risk parameter and the Day factor, where:
- 11.1. *The Daily net position in MWh is the difference between the purchased and the sold amount of electricity for a specific day from the TP where the netting is applied considering both market segments DAM and IDM;*
- 11.2. *The Risk parameter is a price in EUR/MWh, determined by IBEX for a long (purchase) position or short (sale) position respectively. It represents the highest expected daily average price, calculated by IBEX based on historical data;*
- 11.3. *The Day factor is a parameter, determined by IBEX which match to the risk exposure of the TP during sequence of non-Financial days.*
12. The calculation method of the Risk parameter as well as the value of the Day factor shall be published on IBEX web site and both can be changed on the sole discretion of the Operator:
- 12.1. *For guaranteeing the secure operation of the power exchange for electricity.*
- 12.2. *In case of sequence of non-Financial days.*
13. The amendment of the value of the Risk parameter and/or the Day factor shall be announced on the IBEX web site with two days' notice.
14. An example illustrating the required collateral calculation method shall be published on the web site of IBEX.
15. The trading participants must submit the required collateral amount by 10:30 CET (11:30 EET) on the first financial day after the increase of the collateral has occurred.

Available Collateral

16. Regardless the provisions of Art.15, the available collateral of the TP, intending to realize positive prices purchases and/or negative prices sales, must be higher than the total obligation to IBEX, complying with the following:
- 16.1. *The total obligation to IBEX is the sum of (i) Net generated obligation to the Operator, market segments DAM and IDM and (ii) the highest possible exposure of the offer(s) in the respective DAM auction and/or the highest possible exposure of the IDM offers. The highest possible exposure of the offer in the respective DAM auction is the positive sum of the maximum products of the quantity*price couples (offers for positive prices purchases and offers for negative prices sales) for each delivery hour;*
 - 16.2. *TP must increase the available collateral amount at latest until the moment of order submission. For non-Financial days – by 15:00 CET (16:00 EET) on the last previous financial day;*
 - 16.3. *In case of sequence of non-Financial days, the available collateral of the respective trading participant must be higher than the Net generated obligation to the Operator at any moment of the non-financial days.*

Non-performance

17. In case of non-fulfillment of the obligations according to the provisions of Art.15, IBEX:
- 17.1. *applies the sanctions according to Art. 23; and/or*
 - 17.2. *may not allow TP to the next relevant auction and/or restrict the access to DAM and IDM market segments and/or cancel (delete) the submitted order in case it is evaluated as a high-risk one for the energy exchange trading operations.*
18. In case of non-fulfillment of the obligations according to the provisions of Art.16, IBEX:
- 18.1. *applies the sanctions according to Art. 24; and/or*
 - 18.2. *may not allow TP to the next relevant auction and/or restrict the access to DAM and IDM market segments and/or cancel (delete) the submitted order in case evaluated as a high-risk one for the energy exchange trading operations.*

Extraordinary collateral

19. The Operator may require extraordinary collateral to be provided by a trading participant, if an increased risk level associated with the participant is perceived to exist. The increased risk level is defined upon each violation of the provisions of Art.16; upon offers for positive prices purchases and offers for negative prices sales, when the price significantly exceeds the risk parameter; as well as at the Operator sole discretion.
20. IBEX notifies the persons according Art.48.2. in case a need of extraordinary collateral arisen and indicates the deadline it should be provided, which can't be shorter than two (2) hours following notification reception. The notification shall be considered as received when sent to e-mail to the persons according Art.48.2. and verified with copy of the e-mail. In case of non-fulfillment of the obligation for submitting extraordinary collateral within the deadline defined, IBEX shall follow the provisions of Art.18.2 as well as IBEX can start procedure for suspending the TP in accordance of the provisions of the Power Exchange Operational Rules.

Release of collateral

21. The available collateral of a trading participant shall be released in the following cases:
- 21.1. *Upon membership termination/exclusion of a trading participant in accordance with Power Exchange Operational Rules, within ten working days after the date of the termination/suspension, in case the respective TP has no liabilities towards the power exchange Operator.*
 - 21.2. *Upon a trading participant withdrawing in accordance with Power Exchange Operational Rules within ten working days of the withdrawal request, in case the respective TP has no liabilities towards the power exchange Operator.*
 - 21.3. *In case the trading participant has unpaid obligations to the Operator, the collateral shall be claimed up to the amount of the obligations, while the remaining amount is released to the trading participant.*
22. A partial release of the available collateral amount:
- 22.1. *is applied against submitted by the relevant TP written application as per, available on the IBEX's web page template;*
 - 22.2. *shall be applied toward the amount above the required collateral in accordance with Art. 10;*
 - 22.3. *In case due payment is existing, the released amount shall be automatically redirected for fulfilment of the obligation. Only the residual amount shall be released.*

Penalties in a form of sanctions due breach of the obligations to maintain a collateral

23. In the event of a third sequential breach by a trading participant of its obligations under Art. 15, within a period of one month, IBEX shall impose penalty increasing of the Settlement fee, defined in IBEX's Tariff, with 0,04 BGN/MWh for a period of one month. The number of breaches shall be counted simultaneously for both markets – DAM and IDM.
24. In the event of breach by a trading participant of its obligations under Art.16, IBEX shall impose penalty as follows:
- 24.1. *increase the Settlement fee, defined in IBEX's Tariff, with 0,04 BGN/MWh for a period of one month and/or;*
 - 24.2. *impose extraordinary collateral for a period of one month, amounting to the extent of the Total obligation to the Operator to the available collateral, in the case of Art. 24.1.*
25. Upon each sequential breach of the obligations, after the ones for which the TP has been sanctioned according Art.23 and Art.24, IBEX shall impose penalty increasing the Settlement fee, defined in IBEX's Tariff, with another 0,04 BGN/MWh where the duration of the application of the sanction is to be extended with another month. This clause for sanction period extension with another month is applicable in cumulative manner upon each sequential breach of the obligations detected by the Operator.
26. The penalties described under Art. 23, Art.24 and Art.25 shall be imposed within two weeks of the detection of the breach, but not later than two months of the effectuation.

Chapter III Invoicing

Invoicing

27. In case of issuing invoices for transactions conducted on the power exchange market segments DAM and IDM it is not permitted to issue a net invoice. Two separate invoices for transactions conducted for purchase and sales shall be issued.
28. IBEX shall issue electronic invoices to the trading participants each financial day and they shall include all inherent amounts according to the Tariff of IBEX as well as:
- 28.1. *For the Day Ahead Market the invoice is for the volumes that will be delivered on the next day. When there is a sequence of non-financial days the volumes traded during these days shall be invoiced on the first financial day following the non-financial days. The invoices issued are due for payment on the day following the issuance date.*
 - 28.2. *For the Intraday Market the invoice is for the volumes that were delivered on the previous day. When there is a sequence of non-financial days the volumes traded during these days shall be invoiced on the first financial day following the non-financial days. The invoices issued are due for payment on the day following the issuance date.*
29. Trading participants, which have conducted transactions for sale on the power exchange segment DAM shall issue an invoice and send it to IBEX according to one of the following options chosen by them:
- 29.1. *By the end of the first financial day following the trading day;*
 - 29.2. *By the 5-th day of the current month for the previous month;*
 - 29.3. *By the 16th of the current month for the period 1-15 and the last day of the current month for the remaining days of the month.*
30. Trading participants, which have conducted transactions for sale on the power exchange segment IDM shall issue an invoice and send it to IBEX according to one of the following options chosen by them:
- 30.1. *By the end of the first financial day following the delivery day;*
 - 30.2. *By the 5-th day of the current month for the previous month;*
 - 30.3. *By the 16-th of the current month for the period 1-15 and the last day of the current month for the remaining days of the month.*

Chapter IV Payments

Payments

31. Trading participants shall be responsible for timely settling of their obligations arising as a result of transactions conducted on the power exchange segments DAM and IDM.
32. Payments on the power exchange segments DAM and IDM shall be performed on the basis of net purchase and net sale.

Net purchase

33. Trading participants who have made a net purchase, are obliged to fulfill their payment obligations according one of the following schemes:

33.1. *On a daily basis.*

33.2. *On a weekly basis.*

34. For fulfilling trading participants' obligations according Art.2.2 when trading participants have been realized net purchase, they are obliged to follow the requirements of Art.16.

On a daily basis

35. Trading participants having realized net purchases shall be obliged to transfer the amount due, including fees, to IBEX's account set for this purpose by 10:30 CET (11:30 EET) on the first financial day following the day of issuance of the invoice.

On a weekly basis

36. In order to cover the net purchase, realized by a trading participant on a weekly basis the respective participant shall deposit an amount into IBEX's account which shall cover his net purchase for a seven-day period, taking into account the possible sequence of non-financial days.

37. Every day after invoice issue IBEX acquires the net purchase amount including fees due from the respective trading participant's amount.

38. Each trading participant is obliged to monitor the balance of the amount for fulfilling liabilities due arising for net purchase.

39. In case of laying out the available funds before the end of the seven-day period the respective trading participant shifts to a scheme for obligations fulfillment on a daily basis in compliance with Art.35.

Net sale

40. For the trading participants on DAM market segment, who have chosen invoicing scheme in compliance with Art.29.1., the power exchange Operator shall pay the amounts due to net sellers on the first financial day following the delivery day, with the amount of fees due being deducted from the amount due.

41. For the trading participants on IDM market segment, who have chosen invoicing scheme in compliance with Art.30.1., the power exchange Operator shall pay the amounts due to net sellers on the third financial day following the delivery day, with the amount of fees due being deducted from the amount due.

42. For the trading participants, who have chosen invoicing scheme in compliance with Art.29.2, Art.29.3, Art.30.2 and Art.30.3, the power exchange operator shall pay the amounts due to net sellers on the second financial day following the invoice provision day.

Non-performance

43. In case of non-performance of the Financial obligations of the trading participant, the Operator shall start the procedure for suspension of the respective trading participant according to the Power Exchange Operational Rules as well as the procedure for claiming of the collateral of the trading participant.

44. All expenses incurred in relation to the claiming of the collateral according to Art. 43 are at the expense of the trading participant.

Penalties in a form of sanctions due to breach of the payment obligations

45. In case of third sequential non-compliance by a trading participant with its obligations arising as a result of trading carried out, for a period of one month, the power exchange operator shall impose sanction representing an increase of the Turnover fee, set in the IBEX Tariff, with 0,04 BGN/MWh for a period of one month. The number of breaches shall be count cumulatively for both markets – DAM and IDM.

46. Upon each sequential breach of the obligations (after the third one) by the trading participant to meet its payment obligations, arising as a result of trading carried out, once the TP sanctioning according Art.45, the Operator imposes penalty increasing the amount of the Turnover fee, with another 0,04 BGN/MWh, where the duration of the application of the sanction is to be extended with another month. The above-mentioned sanction is to be imposed within two weeks of the detection of the breach, but not later than two months of the effectuation. This clause for sanction period extension with another month is applicable in cumulative manner upon each sequential breach of the obligations detected by the Operator.

47. The above-mentioned in Art.45 and Art.46 sanction is imposed within two weeks of the detection of the systemic breach, but not later than two months of the breach.

Chapter V Provision of information

Provision of information

48. For the purposes of settling Financial obligations, each trading participant upon registration on the power exchange segments DAM and IDM, shall submit the following information:

48.1. *Full bank account details in BGN of the trading participant for the purposes of financial payments arising as a result of transactions conducted on the power exchange segments DAM and IDM;*

48.2. *A person(s) in charge of the settlement and collateral of the respective trading participant.*

49. The persons according to Art. 48.2:

49.1. *are entitled to request allocation of the available collateral among the market segments, operated by IBEX;*

49.2. *are entitled to request available collateral release;*

49.3. *are obliged to keep themselves informed for the collateral call amount in the relevant web-based platform according Art.2.3.*

50. In relevance with the participation of the market segments DAM and IDM, the trading participants are provided with information for

50.1. *realized purchase transactions and the amounts due, including these according to the IBEX's tariff;*

50.2. *realized sales transactions and the amounts due, including these according to the IBEX's tariff;*

51. IBEX may at any time require legal and financial information regarding the participation of the TP on the power exchange segments DAM and IDM.

51.1. *Not later than the third business days of July of the respective year, the TP have the obligation to send to the IBEX's official address or to settlement email, copies of their annual financial statements, the consolidated financial statements and the annual activity report approved by the respective body, respectively, financial statements or other documents containing an analysis of financial and non-financial key performance indicators relevant to the economic activity of a TP under its national law or to provide to IBEX information on the location where the above-mentioned documents are publicly available and freely accessible according to the relevant national legislation. In the event of non-fulfillment of the above obligations by TP within the stipulated term IBEX has the capability according to Art. 32 of the Power Exchange Operational Rules.*

Chapter VI Ancillary provisions

Ancillary provisions

52. The power exchange operator shall publish on its website in a list called "Defaulting Participants" information regarding the trading participants sanctioned in accordance with these rules for a period identical to the period of the sanction imposed.

Terms

- Net generated obligation to the Operator is the difference between the (i) sum of all invoiced and due obligations, including these which still not matured and the amount of all purchases which still not invoiced and (ii) the amount of all sales transactions which still not invoiced.
- Financial obligations are the obligation of TP to submit and maintain collateral as well as payment obligations.