



## **Trading Rules for Week Electricity Forward Instruments' Program.**

## List of terms and abbreviations used in the text.

- Exchange Member – an entity that has got the Exchange Member status, and that has been admitted to act on the CDM by the Exchange Management Board,
  - Trading Day – the day on that the CDM session takes place,
  - Expiration day – the last day of trading,
  - exchange – the Exchange Commodity Market run by the Power Exchange Joint Stock Company in accordance with the Exchange Regulations,
  - exchange, POLPX – the Power Exchange Joint Stock Company,
  - Basic Instrument – electricity, price of which is fixed on the Day-Ahead Market in accordance with the principles being in force and specified in the Exchange Regulations
  - forward instrument – a forward commodity instrument in the understanding of the Exchange Regulations,
  - Clearing House – the Warsaw Commodity Clearing House Joint Stock Company that runs the clearing and settlement house performing the function of the exchange clearing house, in accordance with the Financial Instruments Trading Act,
  - Contract, forward contract – an agreement concluded on the CDM resulting in rights or obligations related to possession of the forward instruments,
  - Year contract – a forward contract with maturity of one year,
  - Quarter contract – a forward contract with maturity of one quarter,
  - Month contract – a forward contract with maturity of one month,
  - Week contract – a forward contract with maturity of one week,
  - Forward instrument price – an electricity price at the maturity date set at the time of concluding of forward contract,
  - Cleared amount – the amount the Exchange Member is obliged to pay or is entitled to receive as a result of current market clearings or final settlement,
  - Opening of long position (a long position) – buying (purchase) of a forward instrument,
  - Opening of short position (a short position) – sale (disposal) of a forward instrument,
  - Long position at contract maturity date – a long position at the moment when the forward contract expires,
  - Short position at contract maturity date – a short position at the moment when the forward contract expires,
  - Opposite position – the opposite position for the short position is the long position concerning forward instruments of the same series; the opposite position for long position is short position concerning the forward instruments of the same series,
  - Bank account – the account opened by the Exchange Member in the Clearing Bank for needs of clearing of the transactions entered into on CDM, FDM, IDM, DAM, PRM and EAM,
  - Exchange Regulations – the Regulations of trading on the Exchange Commodity Market of the Power Exchange Joint Stock Company,
  - Decree – the Decree of the Cabinet dated on the day of December the 22<sup>nd</sup> 2009 and concerning specific mode and terms for introducing the Property Rights into exchange trading (Journal of Law No 6/2010, item 30),
  - Basic market – the basic instrument market, the electricity Day-Ahead Market run by the Exchange,
  - IDM – the Intraday Market separated within the framework of the DAM&IDM and run by the Exchange,
  - DAM – the Day-Ahead Market separated within the framework of DAM&IDM and run by the Exchange,
  - DAM&IDM – the Day-Ahead Market and the Intraday Market run by the Exchange,
  - PRM – the Property Rights Market run by the Exchange,
  - CDM– the Commodity Derivatives Market run by the Exchange,
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- EAM – the Emission Allowance Market run by the Exchange,
- Forward instrument series – the forward instruments, which fulfill the standard determined by the Exchange and being characterized in particular by the same basic instrument and the same expiration date,
- the exchange IT system – a set of hardware and software components, and especially the specialized computer software, trading on the CDM is conducted by means of that,
- Order Table – orderly statement of purchase- or sale orders,
- The Act – the act dated on the day of October the 26<sup>th</sup> 2000 concerning commodity exchanges (Journal of Law No 121/2005 item 1019 with later amendments),
- Contract value – the forward instrument price or clearing price multiplied by number of hours at the contract maturity date,
- Trading Rules – the present Trading Rules for Month Electricity Forward Instruments' Program,
- Closing of position – taking of position opposite to the position being closed.

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Błąd! Nie zdefiniowano zakładek.	

## **1. Introduction.**

### **1.1. Determination of the type of forward contracts and description of forward contracts' program.**

In accordance with § 84 of the Exchange Regulations the forward instrument should be understood as the commodity forward instrument price of that depends directly on the electricity price.

The electricity forward instruments compose a part of property rights program in the understanding of § 3, subparagraph 3 of the Decree.

An electricity forward contract should be understood as an agreement obligating the seller (the issuer of the instrument) to deliver electricity at specified point of time and at specified price as well as obligating the buyer (the purchaser of the instrument) to purchase and receive the electricity at specified point of time and at specified price.

The electricity forward instruments are quoted in series. Three series of month forward instruments are quoted simultaneously.

The week forward contract is executed in consecutive 167-169 hours, starting from 0:00 hour on the first execution day determined in "The Calendar of Forward Instruments Quotations and Execution of Contracts".

### **1.2. Fixed time of start of the forward instruments trading or method of establishing it.**

The fixed time of start of trading in first series of the forward instruments is established by the Exchange Management Board when the forward instruments are being introduced into the exchange trading. At the same time the Exchange Management Board establishes the forward instrument quotation and the contract execution dates in "The Calendar of Forward Instruments Quotations and Execution of Contracts" for all forward instruments being introduced into trading.

"The Calendar of Forward Instruments Quotations and Execution of Contracts" is established and published not later than 7 (seven) days before start of the trading.

### **1.3. Dates for trading in forward instruments during individual cycles.**

The Exchange Management Board establishes dates of quotations for all forward instruments being introduced into trading in "The Calendar of Forward Instruments Quotations and Execution of Contracts".

### **1.4. Information about incorporating the "Risk Factors" item into the Trading Rules**

The risk factors for the purchasers or sellers of the forward instruments have been described in item 3.1. of the Trading Rules. The investors trading in the forward instruments should analyze thoroughly the content of the aforementioned item.

### **1.5. Date of preparation of Trading Rules.**

The present Trading Rules were prepared on the day of May the 28<sup>th</sup> 2010.

**1.6. Definition of locations, forms and dates of providing access for the general public to the Trading Rules.**

The access to Trading Rules is provided, at least, 7 (seven) days prior to the commencement of trade in the forward instruments in the seat of business of the Exchange as well as on its Web sites.

## **2. Persons responsible for information specified in Trading Rules.**

### **2.1. Company as well as seat of business and address of the party drawing up Sections 1 – 3 of the present Trading Rules and Appendix No 1 to the Trading Rules.**

Company : Towarowa Giełda Energii S.A.  
Seat of business: Warszawa  
Address: ul. Poleczki 23 bud. H, 02-822 Warszawa  
Contact numbers :  
Phone: +48 22 341 99 12  
Fax: +48 22 341 99 10  
E-mail address: tge@tge.pl  
Web site address: <http://www.tge.pl>

### **2.2. Company as well as seat of business and address of the party drawing up Appendix No 2 to the Trading Rules.**

Company : Izba Rozliczeniowa Giełd Towarowych S.A.  
Seat of business: Warszawa  
Address: ul. Poleczki 23 bud. H, 02-822 Warszawa  
Contact numbers :  
Phone: +48 22 341 99 44  
Fax: +48 22 341 99 44  
E-mail address: [irgit@irgit.pl](mailto:irgit@irgit.pl)  
Web site address: <http://www.irgit.pl>

### **2.3. Persons acting on behalf of the Power Exchange Joint Stock Company**

Grzegorz Onichimowski – President of the Management Board

Dariusz Bliźniak – Vice-President of the Management Board

The above persons are responsible for all information pieces specified in Sections 1 - 3 of the Trading Rules and in Appendix No 1 to the Trading Rules

### **2.4. Persons acting on behalf of the Warsaw Commodity Clearing House Joint Stock Company**

Ireneusz Łazor – President of the Management Board

Rafał Kocjan – Vice-President of the Management Board

The above persons are responsible for all information pieces specified in Appendix No 2 to the Trading Rules.

### **2.5. Declaration about responsibility of the persons mentioned in item 2.3.**

We declare that the information pieces included in Sections 1 – 3 of the present Trading Rules and in Appendix No 1 to the Trading Rules are true and reliable as well as that they

omit neither fact nor circumstance that has to be disclosed according to requirements specified in applicable law regulations being currently in force.

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Grzegorz Onichimowski  
**President of the  
Management Board**

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Dariusz Bliźniak  
**Vice-President of the  
Management Board**

## **2.6. Declaration about responsibility of the persons mentioned in item 2.4.**

We declare that the information pieces included in Appendix No 2 to the Trading Rules are true and reliable as well as that they omit neither fact nor circumstance that has to be disclosed according to requirements specified in applicable law regulations being currently in force.

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Ireneusz Łazor  
**President of the  
Management Board**

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Rafał Kocjan  
**Vice-President of the  
Management Board**

## **3. Data concerning Trading Rules for the forward instruments.**

### **3.1. Description of risk factors for the purchasers or sellers of the forward instruments.**

#### **3.1.1. General information**

Any investment decisions should be taken on the grounds of appropriate knowledge of mechanisms regulating the trade in the forward instruments and of the awareness of the risk specific to such instruments.

The Exchange will not bear any responsibility by the right of the investment risk resulted from the trading in the forward instruments.

#### **3.1.2. Market risk.**

Market risk is connected with changes in prices of the forward instruments and the basic instrument. The forward instrument price depends mainly on the basic instrument price. The Exchange Member entering into transactions on the Commodity Derivatives Market is exposed to higher risk of price changes than on the basic instrument market, in connection with the fact that so-called "financial leverage effect" exists.

The financial leverage effect is caused by the fact that the value of contributed collateral composes a part of the forward instrument's value and therefore losses or profits caused by changes of the forward instrument price referred to the value of capital committed (that means the collateral value) may amount to significant values, which are not found on the basic instrument market.

A contingent loss incurred on the Commodity Derivatives Market may exceed the initial value of investment, understood as the amount of the lodged collateral.

In case, when the value of initial margin and supplementary margin has dropped below the minimum level determined by the Clearing House, the investor holding open positions will be called upon to supplement the margin. If the investor has failed to supplement the margin within the specified deadline, positions of given investor shall be closed.

The closing of a position at a price lower than the opening price of long position and closing of a position at a price higher than opening price of short position implies a loss from the

transaction. The loss exceeds the value of initial investment, if the relevant difference between the value of opening and closing of position is higher than the value of the margin that has been paid.

### 3.1.3. Liquidity risk.

On the Commodity Derivatives Market, and particularly at the initial stage, there can be possibility of difficulties of entering into large transaction or entering into such transaction may adversely affect the level of market prices.

The investors may find it also hard to close previously opened position at expected price due to the lack of opposite orders.

The trade liquidity may also depend on the activity of market makers.

### 3.1.4. Specific risk.

The specific risks results from changes of prices of electricity being quoted on the Day-Ahead Market run by POLPX, which may be subject to significant volatility thus affecting the forward instrument price as well as amount of collateral margins.

### 3.1.5. Legal risk.

The power sector is subject to legal acts of legislation as well as to executory deeds, which may affect the basic instrument price.

### 3.1.6. Delivery risk.

The Exchange shall bear no responsibility for physical delivery or receipt of electricity within the confines of the forward contracts concluded on the CDM.

## **3.2. Conditions to be met by purchasers and sellers of the forward instruments.**

The purchasers and the sellers of the forward instruments may be investors, which are participants of the trading on the Commodity Derivatives Market, including the Exchange Members admitted to activities on the CDM in accordance with the Exchange Regulations. The investors have to possess account, the forward instruments are registered in which according to the rules determined by the Clearing House.

## **3.3. Rights and obligations resulted from the forward instruments.**

Forward contract is understood as the agreement, mentioned in §87 of the Exchange Regulations, that obligates the seller (the issuer) to deliver electricity within specified deadline and at specified price as well as that obligates the buyer (the purchaser) to purchase and receive electricity within specified deadline and at specified price. The contract closed on the exchange is executed through financial settlement and physical delivery of electricity.

## **3.4. Forward instruments quotations dates.**

Start and closing of trading in individual series of forward instruments takes place in accordance with "The Calendar of Forward Instruments Quotations and Execution of Contracts", established by the Exchange Management Board.

### **3.5. Method of fixing of daily clearing prices as well as mode and time limits of publishing the quotation information.**

#### 3.5.1. Daily clearing price.

The daily clearing price is calculated on the grounds of transactions, which have been entered into during the continuous trading system quotation phase after closing of each exchange session with accuracy up to PLN 0.01.

The daily clearing price is determined as arithmetic mean of prices of last 10 (ten) transactions entered into during the exchange session carried out in the continuous trading system.

If during given exchange session less than 10 (ten) transactions have been entered into the daily clearing price is determined as arithmetic mean of process of all transactions entered into during the continuous trading system quotations.

If during given exchange session no transaction has been entered into the daily clearing price is determined as arithmetic mean of the price limits of the most favorable purchase and sale orders transacted during continuous trading quotations, and in case of absence of such orders the last known clearing price shall be adopted as the clearing price.

#### 3.5.2. Mode and deadlines for publishing of quotations results.

Information pieces about volume, prices and values of concluded transactions are delivered to the Exchange Members on the Private Web site, accessible only to given Exchange Member and the Exchange.

Right after the exchange session closing the Exchange publishes on its Public Web site the information about volumes and prices of the transactions entered into.

### **3.6. Forward instrument execution time limit.**

Start and end of the periods for execution of the contracts encompassing consecutive series of the forward instruments shall take place in accordance with "The Calendar of Forward Instruments Quotations and Execution of Contracts", determined in item 1.2.

### **3.7. The forward instrument expiration date.**

The last trading day for given series of the forward instruments is the expiration date of given instruments.

### **3.8. Basic rules of trading in the forward instruments. Mode of making possible modifications of the rules.**

#### 3.8.1. Admittance of the forward instruments to exchange trading.

The forward instruments are admitted to the exchange trading by the Exchange Management Board.

#### 3.8.2. Introduction of the forward instruments into the exchange trading.

The forward instruments are introduced into the exchange trading by the Exchange Managing Board, with determination of time limits for quotations and execution for all series of the forward instruments being introduced, what is called "The Calendar of Forward Instruments Quotations and Execution of Contracts".

#### 3.8.3. Basic instrument.

Basic instrument is electricity with the price being fixed in the Day-Ahead Market (DAM), expressed as PLN/MWh, with accuracy to PLN 0.01.

#### 3.8.4. Quotation system.

The forward instruments are quoted in the continuous trading system, only with use of the exchange IT system.

### 3.8.5. Quotation hours.

The quotations are carried out from Monday to Friday between 8:00 a.m. and 2:00 p.m. in accordance with “The Calendar of Forward Instruments Quotations and Execution of Contracts”, determined in item 1.2, unless the Exchange Management Board decides otherwise.

### 3.8.6. Orders

3.8.6.1. The Exchange Members place orders with reference to the Portfolios. In the Exchange IT system the Portfolio is defined as an account.

3.8.6.2. In the Exchange IT system each Exchange Member has got as many Portfolios as many Scheduling Units is in its possession. The Power Company is entitled to have in its possession the Portfolios for the Scheduling Units Made Available.

3.8.6.3. To the Exchange Member Portfolio the Scheduling Unit is assigned.

3.8.6.4. The Exchange Member is entitled to place more than one order with reference to a given Portfolio.

3.8.6.5. Each Portfolio may be assigned only to one Exchange Member unless the Exchange Member has made available such Portfolio to a Power Company according to the principles specified in the Exchange Regulations.

3.8.6.6. Each Order of the Exchange Member being placed on CDM shall define in particular the following parameters:

- a) designation (ID) of the exchange commodity of given type that is subject of the order,
- b) type of order (purchase / sale),
- c) the Portfolio the order is being placed with reference to that,
- d) number of forward instruments,
- e) price limit expressed in PLN/MWh accurate to PLN 0.01 or an instruction to execute the order without price limit ,
- f) the validity period,
- g) conditions for execution of the order, specified in the Trading Rules,
- h) designation (ID) of the Exchange Member issuing the order,
- i) date and hour of issuing of the order,
- j) the order No.

One order must not include more than 100 forward instruments. According to the Exchange Member’s application the POLPX is entitled to increase (only once) the forward instrument limit in the order.

3.8.6.7. The orders being introduced into quotations should include the execution terms and validity periods. Depending on execution terms and deadlines there are following types of orders:

- a) The Rest of Day order – the order is valid on the day of transferring it on the exchange.
- b) The Good Until Expiry order – the order is valid until the end of instrument quotation.

- c) The Good Until Date order – the order is valid until the date specified in the phase of placing of the order. The order is quoted until the date when a set time limit expires.
  - d) The Timed order – the order is valid on the day of placing it on the exchange until the date set in the phase of placing of the order.
  - e) The Fill and Kill order – the order is valid until the first transaction is entered into (or first transactions if the order is executed in a few transactions simultaneously). The non-executed part of the order is cancelled. This order may be executed partially, en block or may be not executed at all. The order may be placed without a price limit.
  - f) The Fill or Kill order – is valid until the first transaction is entered into (or first transactions if the order is executed in a few transactions simultaneously), while the order has to be executed en block or not to be executed at all. If the order layout does not allow execution of the order en block the order is cancelled.
- 3.8.6.8. The Fill and Kill and Fill or Kill orders are not included in the order table. Once such orders have been placed the transaction is entered into or the orders are deleted.
- 3.8.6.9. The order may comprise an additional activation condition - Stop Loss function. By means of Stop Loss function the condition concerning the electricity price level the order appears on the market at that is defined. The order is activated on the market when the set condition is fulfilled.
- 3.8.6.10. The orders may be placed on the market (market orders) or locally (local orders). The local orders are not quoted.
- 3.8.6.11. The local orders may be placed on the market through activation. The market order may become a local order through suspension. The orders may be activated and suspended when quotations are carried out on the CDM.
- 3.8.6.12. The orders may be placed on the market only during the quotation phase on the CDM. Outside the quotation phase on the CDM the Exchange Member is entitled to place a local order.
- 3.8.6.13. The Exchange Members are entitled to modify their own orders. The following items may be modified:
- (a) offered number of the forward instruments,
  - (b) the price limit.
- 3.8.6.14. The orders may be modified during the quotation phase on the CDM. If during the modification the volume is reduced the time for placing of the order is not altered. In the other cases of modification (increasing of the volume and the price change) a new time of placing is assigned to given order.
- 3.8.6.15. The order placed on given market remains active until the modification process is completed or the order is cancelled.
- 3.8.6.16. In the case when quotations in forward instruments have been suspended the orders must not be modified.
- 3.8.6.17. The order may be cancelled by the Exchange Member, who has placed the order, before the order validity period expires. The orders being subject to the transactions, which have been entered into, must not be cancelled.
- 3.8.7. Price fixing principles, order execution and transactions.
- a) The transactions are entered into at the price equal to the price limit that was specified in the order introduced earlier, waiting in the order table for execution, in accordance with to the following principles:
    - i) in the first row the orders with the highest price limit in case of purchase orders, and with the lowest price limit in case of the sale orders shall be executed,

- ii) in case of orders with equal price limits they shall be executed according to the time of the order acceptance (the orders accepted earlier shall be executed in the first row).
- b) The orders may be executed partially, while each partial transaction shall concern at least one forward instrument.

#### 3.8.8. Exchange transactions.

Only the Exchange Members, admitted to activities on the Commodity Derivatives Market by the Exchange Management Board, may be a part of the transaction.

#### 3.8.9. Procedure for amending of the Trading Rules.

The present Trading Rules may be amended by the Exchange Management Board. The amendments to the Trading Rules should be published not later than 7 (seven) days before the day they come into force on that.

### **3.9. Information pieces, which could significantly affect assessment of the forward instruments and risk connected with purchase of such instruments.**

Apart from the information specified in the Trading Rules the Exchange is not aware of any other information that could significantly affect the assessment of the forward instruments and risk connected with purchase of them.

**Appendix No 1. The Electricity Forward Instrument standard.**

<b>The forward instrument name</b>	BASE_W-ww-yy, where : BASE_W – type of forward instrument, ww – number of consecutive week of the year the forward contract execution date falls in that. yy – the last two digits of the year the forward contract execution date falls in
<b>Basic instrument</b>	Electricity, price of which is fixed on the Day-Ahead Market, expressed in PLN/MWh, with accuracy up to PLN 0.01.
<b>Forward instrument nominal value</b>	1MW multiplied by number of hours specified in “The Calendar of Forward Instruments Quotations and Execution of Contracts” and depending on number of hours per day: 167-169 MWh.
<b>Forward instrument price</b>	Expressed as PLN/MWh, with accuracy up to PLN 0.01.
<b>Contract value</b>	Forward instrument nominal value multiplied by forward instrument price.
<b>Time limit for execution</b>	One calendar week, from Monday till Sunday inclusively (7 days), at hours between 0:00 and 24:00.
<b>Execution period</b>	In accordance with “The Calendar of Forward Instruments Quotations and Execution of Contracts”.
<b>Quotation period</b>	In accordance with “The Calendar of Forward Instruments Quotations and Execution of Contracts”.
<b>Delivery unit</b>	1MWh for each hour of the time limit for execution of the contract.
<b>Expiration day</b>	The last day of trading. The last session day specified in “The Calendar of Forward Instruments Quotations and Execution of Contracts”.
<b>First trading day of new series</b>	The first session day specified in “The Calendar of Forward Instruments Quotations and Execution of Contracts”
<b>Quotation unit</b>	1 (one) forward instrument
<b>Contract settlement mode</b>	Physical delivery of electricity in equal amounts every hour of the contract execution time limit.



**Appendix No 2 –Rules for Clearing of Derivative  
Instruments for Delivery of Electricity and Method of  
Collateralization of the Transactions Being Entered  
into**

## Definitions

- The House – it should be understood as the exchange clearing house (in the understanding of the Act), run by the Warsaw Commodity Clearing House SA,
- IRGiT – it should be understood as the Warsaw Commodity Clearing House SA with seat of business in Warsaw,
- the Act – it should be understood as the act dated on the day of October the 26<sup>th</sup> 2000 concerning the commodity exchanges (unified text in the Journal of Law No 121/2005, item 1019 with later amendments),
- the Clearing Bank – it should be understood as the bank the House executes financial settlement through that on the grounds of the agreement, concluded with the House and agreements, concluded with individual House Members,
- the House Member – it should be understood as an entity that has obtained the House membership status by the virtue of the IRGIT Management Board resolution,
- the Exchange Member – an entity that has entered into the Membership Agreement with the Exchange,
- the Delivery Day – it should be understood as the day on that the exchange commodity, sold or purchased on the Trading Day, shall be delivered or received,
- the Trading Day – it should be understood as the day on which process on POLPX markets are fixed for given Delivery Day,
- the Exchange, POLPX – it should be understood as the Polish Power Exchange Joint Stock Company,
- the exchange – it should be understood as the Exchange Commodity Market run by the Exchange,
- the private web site – it should be understood as a web site accessible only for given House Member and for the House,
- TSO – it should be understood as the Transmission System Operator, a power company holding a license for transmission and distribution of electricity via transmission grid on a nation-wide basis (PSE-Operator Joint Stock Company),
- The Power Law Act – it should be understood as the Act dated on the day of April the 10<sup>th</sup> 1997 titled “The Power Law” (Journal of Law No 89/2006, item 625 with later amendments),
- The Purchase Account – it should be understood as an account, opened by the House Member in the Clearing Bank in order to clear the Transactions entered into on DAM&IDM, PRM, CDM and EAM.
- The Settlement Report – it should be understood as a report, available in the clearing system and comprising the balance of net values of the Transactions, which have been entered into,
- DAM&IDM – it should be understood as the Day-Ahead Market and the Intraday Market run by the Exchange,
- PRM – it should be understood as the Property Rights Market run by the Exchange,
- CDM – it should be understood as the Commodity Derivatives Market run by the Exchange,
- EAM – it should be understood as the Emission Allowance Market run by the Exchange,
- the POLPX Regulations – it should be understood as the trading Regulations for the Exchange Commodity Market of the Polish Power Exchange Joint Stock Company,
- the clearing system – it should be understood as a set of hardware and software components, and especially the specialized computer software, clearing of the Transactions, entered into on the exchange, is conducted by means of that,
- the transaction – it should be understood as an exchange commodity sale contract closed on the exchange, the House Member is a party of clearing of that,
- the order – it should be understood as an exchange commodity purchase or sale offer submitted on the exchange,

- the Recording Accounts – it should be understood as recording device kept by the IRGIT according to the ID of the exchange commodity series, the House Member's ID, type of activity ID and portfolio ID,
- the Portfolio – it should be understood as positions of the exchange commodities, registered in the recording accounts market by the same House Member's ID and the same portfolio ID,
- the exchange commodity class – it should be understood as all series of the exchange commodities based on the same basic exchange commodity,
- the correlated positions – it should be understood as the positions of the exchange commodities of the same class, registered in the recording accounts kept for the House Member marked with the same participation ID and the same type of activity ID,
- T – Day – it should be understood as the day the transaction was entered into on that. The days preceding or following the T- Day are marked as T-1 or T+1, respectively.

## 1. The Transaction clearing collateralization system.

1.1. The House shall establish and manage the system of collateralization of session transactions and OTC deals entered into on the exchange, basing on financial means accumulated in the Purchase Accounts kept in the Clearing Bank for the House Members.

1.2. In the Clearing System each House Member has got its collateral account that reflects current status of collaterals of its transactions.

1.3. On each working day, after accomplishing of clearing process, till 6:30 p.m. the account balance is updated on the grounds of the operations carried out in the Purchase Account kept in the Clearing Bank for given House Member. Information pieces concerning the operations carried out in the Purchase Account are received by the House from the Clearing Bank.

1.4. Updating of the collateral shall be carried out in accordance with the following principles:

a) payment into the Purchase Account kept in the Clearing Bank shall increase collateral value in the collateral account,

b) withdrawal from the Purchase Account kept in the Clearing Bank shall reduce collateral value in the collateral account.

## 2. The record-keeping devices

2.1. The House keeps separate sets of recording accounts for individual Members as well as for individual markets being cleared by the House.

2.2. The recording account set for the electricity market consists of the recording accounts for delivery hours grouped into portfolios assigned to scheduling units.

## 3. The collateral margins for the Commodity Derivatives Market

3.1. The value of initial and variation collateral margins are reckoned on the level of each House Member, with assumption made for the highest statistically possible loss of positions during the consecutive session as well as taking reduction of the risk, resulted from having the correlated positions in the Portfolio, into consideration.

3.2. The collateral margins, mentioned in § 39 of the Regulations of the Exchange Clearing House (Commodity Market), consist of two parts – the initial margin and the variation margin. The margins shall be determined on the grounds of the algorithms presented below:

### 3.2.1. The initial collateral margins:

The initial collaterals are reckoned starting from the day on that the forward contract transaction is entered into till the day before last day of delivery. The margins are calculated according to the following algorithm:

$$D_z = \left| \sum_{i=1}^x L_p * K_r * L_{mWh} * P - \sum_{i=1}^x L_s * K_r * L_{mWh} * P \right|$$

Where:

$D_z$  – the collateral margin value [zloty],

$L_p$  – number of purchase contracts in given series,

$K_r$  – the daily clearing price of given series of the contracts or the clearing price of the basic instrument [zloty/MWh],

$L_{mWh}$  – quantity of electricity that has not been delivered falling to 1 (one) contract of given series [MWh],

$P$  – risk parameter, averaged for given series,

$L_s$  – number of contracts in given series,

$i$  – series of the forward contracts,

$x$  – number of forward contracts series.

### 3.2.2. The variation collateral margins

The variation margins are reckoned starting from the day on that the forward contract transaction is entered into till the day before last day of delivery. The margins are calculated according to the following algorithm:

$$D_u = \sum_{i=1}^x L_p * L_{mWh} [K_r - K_{\acute{s}wk}] - \sum_{i=1}^x L_p * L_{mWh} [K_{\acute{s}ws} - K_r]$$

Where:

$D_u$  – the variation margin value [zloty],

$L_p$ ,  $K_r$ ,  $L_{mWh}$ ,  $i$ ,  $x$  – as per item 3.2.1 above,

$K_{\acute{s}wk}$  – average weighted price of purchase transactions for the contracts of given series [zloty/MWh],

$K_{\acute{s}ws}$  – average weighted price of sale transactions for the contracts of given series [zloty/MWh].

3.3. For the quotation time the daily clearing price of the Contract, the position is opened in that, (determined by the Exchange) is used for calculations of the initial margin.

3.4. For the quotation time and for part of the Contract, the delivery period of that has not come yet, the initial margin is reckoned separately for each Delivery Day. The clearing price during the period is determined in the following manner:

3.4.1. For the period from one year to three (3) months before the Delivery Day – the daily clearing price of the year contract shall be adopted as the daily clearing price of the analogical (as regards the execution date) quarter Contract being during the quotation phase.

3.4.2. For the period from three (3) months till twenty eight (28) days before the Delivery Day for the year- as well as quarter contract – the daily clearing price of the contract shall be adopted as the daily clearing

price of the analogical (as regards the execution date) month Contract being during the quotation phase.

3.4.3. For the period from twenty eight (28) days till seven (7) days before the Delivery Day for the year-, quarter- and month contract – the daily clearing price of the contract shall be adopted as the daily clearing price of the analogical (as regards the execution date) week Contract being during the quotation phase.

3.4.4. For the period from seven (7) days till the last Delivery Day the daily clearing price shall be adopted as the last known index of the Day-Ahead Market – IRDN24.

3.4.5. If for given contract determination of the clearing price was impossible the value of the daily clearing price for the Contract of the same type, that is during quotation time with the earlier execution date as close as possible, shall be adopted. In case when there is not any contract of given type being during quotation period with earlier execution date the value of the clearing price of the contract being during quotation period with shorter and the closest execution time or the DAM&IDM index (IRDN24) shall be adopted as the clearing price.

3.5. The margins are blocked in the House Members' accounts kept in the Clearing Bank. Updating of the blocked margins amounts shall be sent to the Clearing Bank on each working day till 4:00 p.m..

3.6. The House Members shall be obliged to manage liabilities resulting from the reckoned margins before start of quotations during the closest session under pain of refusal to admit to activities on the CDM.

3.7. If the House Member does not manage the liability, mentioned in item 3.6 above, it may get refusal of admittance to activities on the CDM. If the liability is not managed during two working days the House shall be entitled to submit to the Exchange a motion for closing of given House Member's positions down to the holdings, in which the amount of means accumulated in the Member's account covers the liabilities of the Member.

3.8. Closing of the House Member's positions is made in first row on the contracts with the shortest execution time, which remain in the quotation period.

3.9. In case of Contract being during the delivery period closing of the positions is made by opening of the positions in the instruments being quoted on the CDM and on the DAM&IDM. The volume and the execution time for the new opened positions must be in line with the volume and the execution time of the positions being closed.

## 4. The financial clearings

4.1. The House becomes a party of the process of clearings of the markets being run by POLPX.

4.2. Calculation and settlement of VAT tax shall take place in accordance with the relevant regulations being currently in force.

4.3. The House Member has in its possession one recording account in the clearing system. The Transactions, entered into on DAM&IDM, PRM, CDM and EAM, are cleared in the recording account.

4.4. The House Member has got the Purchase Account kept in the Clearing Bank. The Purchase Account is designed for servicing of clearings carried out on the DAM&IDM, PRM, CDM and EAM as well as for lodging the collateral margins for the Commodity Derivatives Market.

4.5. Bank Ochrony Środowiska S.A. (BOŚ S.A.) (*The Environmental Protection Bank Joints Stock Company*) performs function of the Clearing Bank for clearing of the Transactions entered into on the CDM.

4.6. In order to assure secure and efficient process of settlements of the Transactions the House shall cooperate with the Bank (BOŚ S.A.).

4.7. Each House Member shall be obliged to have in its possession the Purchase Account, kept in the Clearing Bank. The Purchase Account shall be designed for gathering of monetary collaterals for the purchase Transactions as well as for monetary clearings of the Transactions entered into on the DAM&IDM, PRM, CDM and EAM.

4.8. The House Member shall be obliged to give its power of attorney for the Clearing Bank. The power of attorney shall cover making transfers of the means from the House Member's Purchase Account into the clearing account kept by the Warsaw Commodity Clearing House Joint Stock Company, in the value specified by the House in the transfer order.

4.9. The clearing process consists in an equalization of receivables and liabilities resulted from the Transactions entered into on the DAM&IDM, PRM, CDM and EAM.

4.10. The House through the agency of the Clearing Bank carries out settlement of the Transactions, entered into on the exchange by all House Members, which are parties of clearings of the Transactions on the DAM&IDM, PRM, CDM and EAM.

## 5. Rules of determination of amounts of receivables and liabilities by the right of execution of the Transactions entered into on the CDM

5.1. On each Trading Day, after registering of the Transactions cleared by given House Member in the recording accounts, the House carries out current clearings of the session Transactions, which have been entered into on the CDM and delivery of which takes place on the day T+2.

5.2. The House calculates balances of financial clearings for given member of the House, which result from the Transactions being cleared by the Member on the CDM.

5.3. The clearing balance is determined as value of the purchase Transactions entered into on the CDM reduced by the value of sale Transactions entered into on the CDM, with simultaneous increasing by the VAT tax value.

5.4. Value of the Transactions entered into on the CDM shall be calculated as the product of the Transactions volume (expressed in MWh) as well as the Transactions price, expressed in PLN/MWh.

## 6. Principles of providing the Clearing Bank with relevant information

6.1. On each Trading Day the House shall prepare data indispensable for clearing of the Transactions by the Clearing Bank. The data shall be prepared in form of the Settlement Report.

6.2. The Settlement Report shall include balances of payments of all House Members, calculates as sum of balances for the DAM&IDM, PRM, CDM and EAM markets.

6.3. The Settlement Report being drawn out on the T-day encompasses the liabilities and the receivables resulted from the Transactions, which were entered into on the DAM&IDM, PRM and EAM markets on the current day as well as those resulted from clearing of the CDM market on the Delivery Day T+2.

6.4. The Settlement Report may be extended – according to the Exchange's motion – by other liabilities or receivables of the House members towards the Exchange, which result from their membership on the Exchange.

6.5. The Settlement Report is sent to the Clearing Bank on the Clearing Day on each working day till 4:00 p.m. If The Trading day is the idle day the data for the settlement are sent on the first working day following that day as the after-netting balance of payments for the idle days and the first working day following the idle days.

6.6. On the grounds of the Settlement Reports the Clearing Bank carries out the inter-account movement of the pecuniary means between accounts of the House members and the House account. The inter-account movement is carried out on the day following the Trading Day, till 9:00 a.m.. If the day following the Trading Day is the idle day the data for the settlement are sent on the first working day following that day.

6.7. In the first row the Clearing Bank makes transfers from accounts of the House members, which have the liabilities balance, into the House account; then the transfers are made from the House account into accounts of the House Members, which have the receivables balance.

6.8. The House Member shall be entitled to issue instructions for withdrawal of financial assets from its own account, kept in the Clearing Bank, on each working day during the period between 4:00 p.m. and 4:30 p.m..

## 7. The rules for process of settlement and invoicing

7.1 One week – 7 (seven) consecutive days from Monday to Sunday – is the clearing period for the clearings concerning purchase and sale of electricity as well as the property rights.

7.2 The financial flows concerning clearing of sessions during T+1 day are partial clearings of given clearing period, that means one (1) week, 7 (seven) consecutive days from Monday to Sunday. Invoices shall be issued for the clearing period on each Monday after completed clearing period or on the first working day after completed week – with payment maturity falling on the consecutive day after the day of invoicing.

7.3 If the last day of calendar month falls on the day during the clearing period the invoice shall be issued on the last day of given calendar month with the payment maturity falling on the same day, that means on the last day of given month.

7.4 If a holiday falls on the first working day after the completed clearing period (and if electricity as well as property rights purchase and sale transactions take place on Saturday and Sunday) the parties should issue the invoice on the last working day falling on the day preceding the Saturday and Sunday, while clearing of the Transactions entered into on Saturday and Sunday falling during given clearing period should be carried out on the closest consecutive working day.