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Forward Contracts Auctions

business line – electrical power



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Electrical power auctions – general information

POLPX is extending its electricity market offer, besides the current Electricity Futures market, it is launching electrical power auctions.

The key objective for the implementation of this new segment is to allow acquisition or sale of large volumes of electrical power over longer periods of time (quarter, year). Auctions will also allow generators to comply with the regulatory obligation to sell electricity.

Contract traded in the auction system: daily (BASE-A) and peak (PEAK5-A) with quarterly and annual execution periods.

Physical delivery of the contracted electrical power

Auctions can only take place on working days, in compliance with the schedule of terms specified in the application by the Bidder and delivery periods complying with the trading and execution schedule for electricity futures.

Trading is carried out in the continuous systems

Trading unit: 1 contract

Trading currency: PLN

Clearing of the concluded transactions is handled by the Clearing Chamber

The clearing collaterals system includes: a guarantee fund, initial deposit and auxiliary deposit

Trading system: Condicto Trade™



Electrical power auctions – rules for auction organization

Submission of auction application

The application shall be submitted by the Bidder, no later than on 30 calendar days before the proposed date of auction.

In the application, the Bidder shall specify:

- ✓ the proposed date of the auction
- ✓ type of auction („sell” or „buy”)
- ✓ the instrument being subject of the auction
- ✓ number of contracts, the Bidder is planning to sell or buy in the auction (auction volume)
- ✓ proposed price limit (minimum price for a „sell” auction or maximum price for the „buy” auction)

The Exchange shall publically announce the opening date of the auction with at least 25 calendar days notice, specifying:

- Date, type, subject and volume of the auction.



Electrical power auctions – rules for auction organization

The auction system allows conclusion of transactions on the following types of contracts:

BASE-A_Q – contract with quarterly execution term, from 90 to 92 days, between 00:00 and 24:00, corresponding to the delivery of 2,159 to 2,209 MWh

BASE-A_Y - contract with annual execution term, from 365 to 366 days, between 00:00 and 24:00, corresponding to the delivery of 8760 to 8784 MWh

PEAK5-A_Q – contract with quarterly execution term, from 61 to 66 days, between 07:00 and 22:00, corresponding to the delivery of 915 to 990 MWh

PEAK5-A_Y – contract with annual execution term, from 251 to 255 days, between 07:00 and 22:00, corresponding to the delivery of 3,765 to 3,825 MWh

Contract code (example):

BASE – A_Q-q-yy,

where:

BASE – A_Q – name of instrument for the auction system

q – subsequent number of the contract execution quarter

yy – last two digits of the contract execution year





Electrical power auctions - Schedule

Auction may take place from Monday to Friday, following the schedule below:

Hours	Trading phase
From 14:00 to 14:20 on Trading Day	Submission of orders by Auction Participants Registration of Participant orders in reply to the announced Auction. Orders may be withdrawn or modified.
From 14:20 to 14:30 on Trading Day	Registration of Bidder orders Registration of the Bidder offers, based on data provided in the auction opening application.
From 14:30 to 14:31 on Trading Day	Closing of the auction and announcement of the results on a non-public website
Until 15:30 on Trading Day	Publication of the auction results on the website



Electrical power auctions – rules for submission of orders

Auction Participants may only submit counter-orders, i.e. „buy” orders only in the case of „sell” auctions and „sell” orders only in the case of „buy” auctions.

A Participant of the Auction may submit orders of a minimum volume of 5 contracts.

A Participant of the Auction may modify its order in terms of the offered number of contracts and price limit.

The Bidder Offer is placed by the Exchange, on behalf of the Bidder, based on the auction opening application.

During the order registration process, Auction Participants and the Bidder can only view their own orders.

After registration of the Bidder’s order, the auction is closed and resolved (conclusion of a transaction or lack of transaction).

EI. Power Auctions – „buy” auction system

Submission of „sell” orders by Auction Participants.
Orders may be withdrawn or modified.
Auction Participants only see their own orders

Wprowadzanie zleceń sprzedaży przez Uczestników Aukcji. Zlecenia można usuwać i modyfikować.
Uczestnicy Aukcji widzą wyłącznie zlecenia własne

Registration of the Bidder's „buy” order.
Bidders only see their own orders

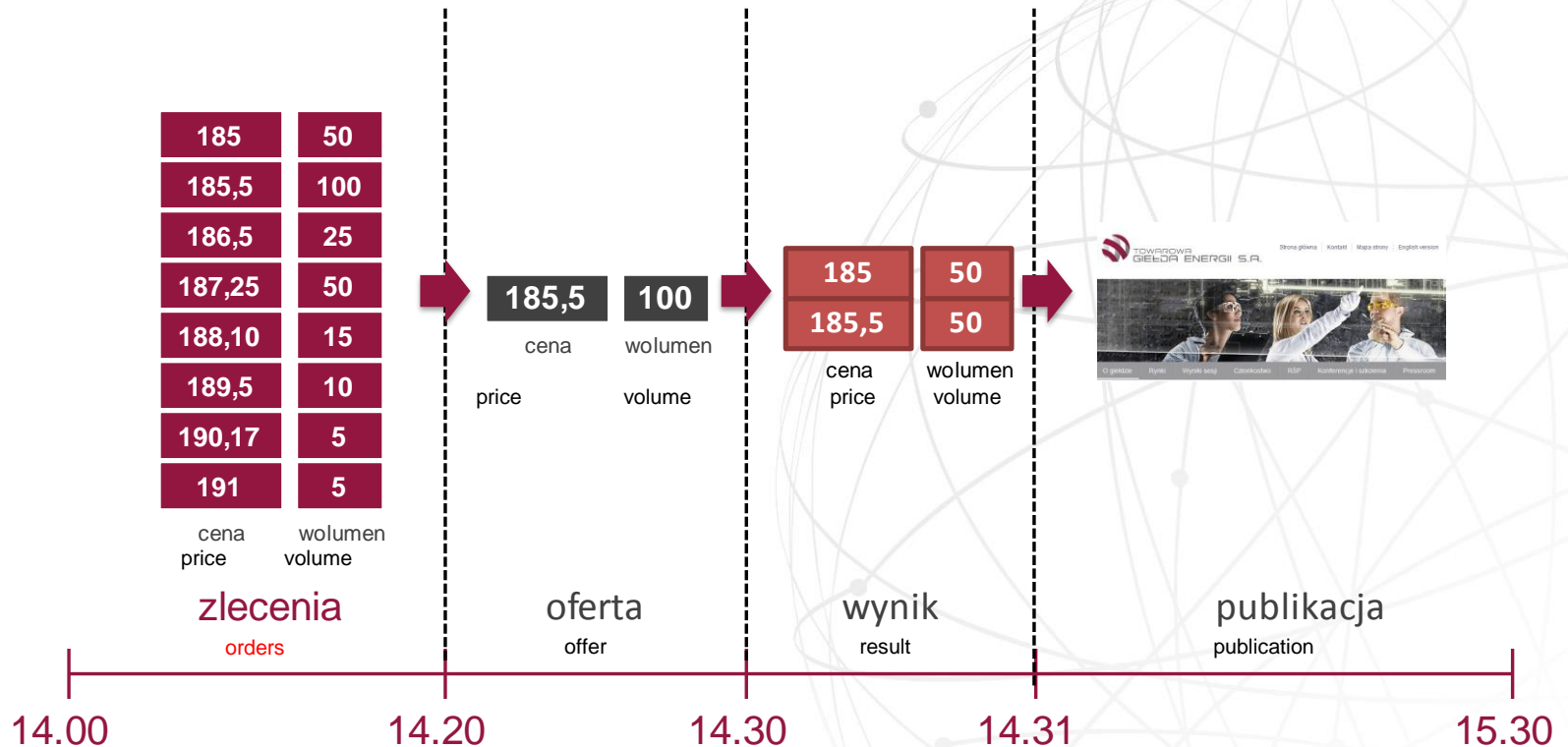
Wprowadzanie zlecenia kupna oferenta.
Oferent widzi wyłącznie własne zlecenie

Closing of the auction and announcement of results on non-public website

Zamknięcie aukcji i podanie wyników na niepublicznej stronie internetowej

Publication of auction results on public website

Opublikowanie wyników aukcji na publicznej stronie internetowej





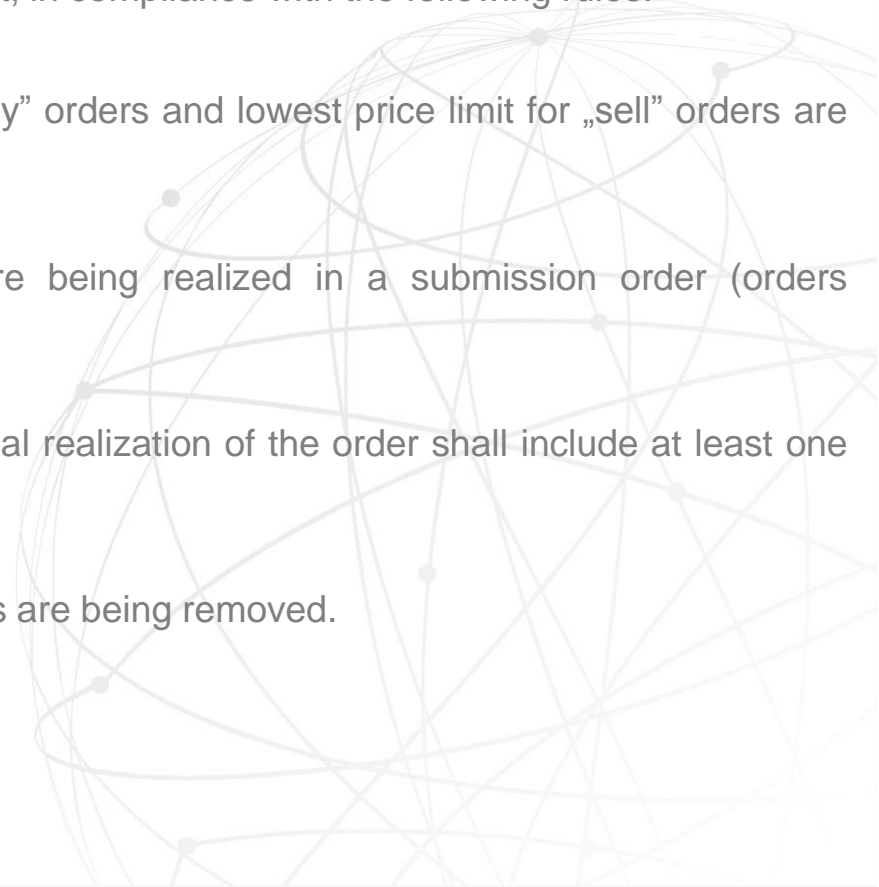
El. Power auctions – rules of transaction conclusion and order realization

Transactions are concluded at transactional prices equal to the price limit specified in the auction application submitted by the Auction Participant, in compliance with the following rules:

- ✓ orders with the highest limit for „buy” orders and lowest price limit for „sell” orders are realized in the first place
- ✓ Orders with equal price limits are being realized in a submission order (orders registered earlier are realized first)

Orders may be realized in part, and each partial realization of the order shall include at least one contract.

After closing of the auction, non-realized orders are being removed.



El. Power auctions – Rules for clearing – current settlements

Information on the volume, transactional prices and value of concluded transactions is being made available, by the Exchange, to the Exchange Members on a non-public website (only accessible to the particular Exchange Member)

Information on the volumes of concluded transactions is delivered to the PSE-Operator as balance of the concluded „buy” and „sell” transactions on the DAM, IDM and futures markets collectively.

Liabilities and receivables of the parties resulting from possession of open positions are calculated daily, in compliance with the following rules:

- Between the day of conclusion of the transaction and the last day of contract execution, the initial and auxiliary deposits are being calculated
- For every contract execution day, in the case of Exchange Members having open long positions, the calculated value of liabilities is the product of the volume and transactional price and in the case of Exchange Members with open short positions, the receivables are calculated as product of the volume and transactional price

Calculation of the liabilities and receivables takes place on two days before contract execution, taking into account the VAT tax obligations.



El. Power auctions – Rules for clearing and financial settlements

Financial settlement is based on the balance of liabilities and receivables, collectively for all the markets managed by IRGIT, in the Clearing Week cycles.

The balance of liabilities and receivables is determined based on gross amounts, adequately increased or reduces by the value of the Exchange service (Exchange fee).

Cash flows take place on Wednesdays (day for the Exchange Members having a balance of liabilities) and Thursdays (day for the Exchange Members having a balance of receivables).

Cash flows are realized via the Clearing Bank.

On Monday, the IRGIT is issuing VAT invoices to the Exchange Members, who had long positions with execution date in the particular Clearing Week. Members of the Exchange, who had short positions with execution date in the particular Clearing Week shall issue VAT invoices to the IRGIT.





El. Power Auctions – rules for clearing and transaction guarantees

Besides the guarantee fund, the clearing collateral system is composed of the initial deposit and auxiliary deposit.

The initial deposit is defined as the product of the balance of open positions on a contract, of the daily clearing rate and risk coefficient, determined by the Clearing Chamber.

The auxiliary deposit is defined for individual Exchange Members as the sum of the product of concluded „buy” transactions volume and price differential between the daily clearing rate and weighed average of the „buy” transaction prices and product of the weighed average of the „buy” transactions prices and price differential between the weighed average of the „sell” transaction and the daily clearing rate.

The values of the initial and auxiliary deposits reduce the available transactional limit.





El. Power Auctions – submission of trading charts to the TSO

During execution of the contract, the volume of electrical power resulting from transactions concluded in the auction is being submitted to the TSO, along with transactions concluded on the DAM market and transactions concluded on the futures market outside the auction system. Submission takes place on the day preceding the contract execution date.

Transactions concluded on the futures market (in fixing and continuous trading systems) and transactions concluded on the DAM market are submitted to the TSO as balance of those transactions, broken down into chart units allocated by the TSO.

The power company, being a Member of the Exchange may use the chart units made available for trading by another company.

Data on the electrical power balance, broken down to chart units, to be submitted to the TSO are accessible in the clearing section of the Exchange's IT System.



Electrical power auctions - Benefits



Organized on request of the Members

Possibility to buy large amounts of electrical power, for a longer period of time (quarter, year)

Generators have the possibility to comply with the regulatory obligation to sell electrical power

Increase in transparency of the electrical power market in Poland

Guarantee of transaction clearing thanks to the collateral guarantees system

Transparency of operations, thanks to supervision of the Financial Supervisory Commission

Ease of transaction conclusion thanks to the modern and user-friendly brokerage application - CONDICO Trade™