



## **Trading Rules for Quarter Electricity Forward Instruments' Program**

Uniform text

approved by virtue of the Resolution of Management Board No. 277/60/11 of 13<sup>th</sup> December 2011,  
comes into force on December 21<sup>st</sup> 2011.

**NOTE: Only the Polish version of this document is legally binding. This translation is provided for information only. Every effort has been made to ensure the accuracy of this publication. However, the POLPX does not assume any responsibility for any errors or omissions.**

## 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,
  - Tenderer – the Exchange Member submitting its application for opening of auction,
  - 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,
  - 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),
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- Basic market – the basic instrument market, the electricity Day-Ahead Market run by the Exchange,
- GM – the Gas 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,
- EAM – the Emission Allowance Market run by the Exchange,
- CDM– the Commodity Derivatives Market run by the Exchange,
- Contract series – the contracts, 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,
- Auction Participant – the Exchange Member placing an order in response to the auction notice,
- The Act – the act dated on the day of October the 26<sup>th</sup> 2000 concerning commodity exchanges (Journal of Law No 48/2010 item 248 with later amendments),
- The Act of trading financial instruments – the act date on the day of July 29<sup>th</sup> 2005 of trading financial instruments (Journal of Law No 183/2005 item 1538 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 Quarter Electricity Forward Instruments' Program,
- Closing of position – taking of position opposite to the position being closed.

## Table of Contents

<b>List of terms and abbreviations used in the text. ....</b>	<b>2</b>
<b>1. Introduction. ....</b>	<b>5</b>
1.1. Determination of the type of forward instruments and description of forward instruments' program. ....	5
1.2. Fixed time of start of the forward instruments trading or method of establishing it. ....	5
1.3. Dates for trading in forward instruments during individual cycles. ....	5
1.4. Information about incorporating the "Risk Factors" item into the Trading Rules. ....	5
1.5. Date of preparation of Trading Rules. ....	5
1.6. Definition of locations, forms and dates of providing access for the general public to the Trading Rules. ....	5
<b>2. Persons responsible for information specified in Trading Rules. ....</b>	<b>6</b>
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. ....	6
2.2. Company as well as seat of business and address of the party drawing up Appendix No 2 to the Trading Rules. ....	6
2.3. Persons acting on behalf of the Power Exchange Joint Stock Company ....	6
2.4. Persons acting on behalf of the Warsaw Commodity Clearing House Joint Stock Company ...	6
2.5. Declaration about responsibility of the persons mentioned in item 2.3. ....	6
2.6. Declaration about responsibility of the persons mentioned in item 2.4. ....	7
<b>3. Data concerning Trading Rules for the forward instruments. ....</b>	<b>8</b>
3.1. Description of risk factors for the purchasers or sellers of the forward instruments. ....	8
3.2. Conditions to be met by purchasers and sellers of the forward instruments. ....	9
3.3. Rights and obligations resulted from the forward instruments. ....	9
3.4. Forward instruments quotations dates. ....	9
3.5. Method of fixing of daily clearing prices as well as mode and time limits of publishing the quotation information. ....	9
3.6. Forward instrument execution time limit. ....	9
3.7. The forward instrument expiration date. ....	10
3.8. Basic rules of trading in the forward instruments. Mode of making possible modifications of the rules. ....	10
3.9. Information pieces, which could significantly affect assessment of the forward instruments and risk connected with purchase of such instruments. ....	14
<b>Appendix No 1. The Electricity Forward Instrument standard. ....</b>	<b>15</b>
<b>Appendix No 2. Terms of settlement of forward instruments for delivery of electricity and method of collateralization of the transactions, determined by the Clearing House</b>	<b>17</b>

## **1. Introduction.**

### **1.1. Determination of the type of forward instruments and description of forward instruments' 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, electricity is object of that, 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. Six series of quarter forward instruments are quoted simultaneously.

The quarter forward contract is executed in consecutive 2159-2209 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 14 (fourteen) 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

Jacek Goszczyński – Vice-President of the Management Board

Adam Simonowicz – 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

Dariusz Bliźniak – 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**

Adam Simonowicz  
**Vice-President of the Management Board**

Jacek Goszczyński  
**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**

Dariusz Bliźniak  
**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 consecutive 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.**

- a) 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.
- b) 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.
- c) 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.
- d) 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 daily clearing price shall be adopted as the clearing price.
- e) If the daily clearing price has not been determined on the grounds of the transactions entered into in the continuous trading system or the orders placed in the continuous trading system as well as if the last daily clearing price is not known the daily clearing price is determined as the last determined weighed average price during the session conducted in the auction system.

#### **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.

During the period for execution of the contract the electricity delivery is executed on each day, in accordance with the rules presented in "The Day Ahead Market Detailed Rules for Trading and Settlement"

### **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 and in the auction system. Orders are placed only with use of the exchange IT system.

##### 3.8.4.1. Basic principles of trading in the forward instruments in the continuous trading system.

The trading is carried out in the instrument that has been specified in the standard (Appendix No 1).

###### 3.8.4.1.1. 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.

###### 3.8.4.1.2. Orders

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

3.8.4.1.2.2. 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.

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

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

3.8.4.1.2.5. 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.

3.8.4.1.2.6. 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.

3.8.4.1.2.7. 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.

3.8.4.1.2.8. 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.

3.8.4.1.2.9. 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.

3.8.4.1.2.10. The orders may be placed on the market (market orders) or locally (local orders). The local orders are not quoted.

3.8.4.1.2.11. 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.

3.8.4.1.2.12. 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.

3.8.4.1.2.13. 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.

3.8.4.1.2.14. 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.

3.8.4.1.2.15. The order placed on given market remains active until the modification process is completed or the order is cancelled.

3.8.4.1.2.16. In the case when quotations in forward instruments have been suspended the orders must not be modified.

3.8.4.1.2.17. 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.

3.8.4.1.3. 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 principle:
  - 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.

3.8.4.2. Basic principles of trading in the forward instruments in the auction system.

In the auction system the forward instrument is given a separate name, specified in the standard (Appendix No 1 to the present Trading Rules).

3.8.4.2.1. The auction hours.

Auctions may be carried out according to the schedule presented below, from Monday to Friday 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. In case when the Exchange Management Board gives its consent for carrying out of more than one auction on given day the auction schedule shall be published in the time advance specified in item 3.8.4.2.2.3.

The auction schedule

Time	Quotation phase
From <b>2:00 p.m.</b> till <b>2:20 p.m.</b> on the Trading Day	<b>Placing of orders by the Auction Participants</b> Placing of the Participants' orders in response to the auction notice. The orders may be cancelled and modified.
From <b>2:20 p.m.</b> till <b>2:30 p.m.</b> on the Trading Day	<b>Placing of the Tenderer's orders</b> Placing of the Tenderer's orders on the basis of the data included in the application for opening of the auction.
From <b>2:30 p.m.</b> till <b>2:31 p.m.</b> on the Trading Day	<b>Closing of the auction and publishing of results on the private web site</b>
Till <b>3:30 p.m.</b> on the Trading Day	<b>Publishing of the auction results on the public web site</b>

3.8.4.2.2. Opening of the auction.

The auction is opened according to the application of the Tenderer. The application for opening of the auction should include at least:

- a) proposed date of carrying out of the auction,
- b) type of auction (sale or purchase),
- c) the forward instrument being subject to the auction,
- d) number of the forward instruments the applicant is going to sell or purchase as a result of the auction (the auction volume),
- e) the offered price limit (the price limit composes the minimum price in case of sale auction or maximum price in case of purchase auction).

3.8.4.2.2.1. The application for opening of the auction should be submitted in written form not later than 7 (seven) workingdays before the auction date proposed in the form, specimen of that shall be determined by the Exchange Management Board.

3.8.4.2.2.2. The auction may be carried out if number of the forward instruments, specified in the application, is not lower than 100 (delivery of 100 MWh per each hour of the contract maturity date). The Exchange Management Board is entitled to give its consent for opening of the auction with lower auction volume if it recognizes that such fact does not adversely affect the exchange transactions liquidity.

3.8.4.2.2.3. The auction may be organized on every working day according to the schedule specified in item 3.8.4.2.1. The Exchange shall inform the general public about the time limit for the auction opening not later than 5 (five) working days before the day of the auction. The Exchange's publication concerning the subject matter shall include especially:

- a) the auction date,
- b) the auction type,
- c) the auction object,
- d) the auction volume.

3.8.4.2.3. Orders.

Orders being placed in the auction system should meet the conditions specified in items from 3.8.4.1.2.1 to 3.8.4.1.2.6.

3.8.4.2.3.1. The Auction Participants shall be entitled to place only opposite orders at the auction date, within the time limit specified in item pkt. 3.8.4.2.1.

3.8.4.2.3.2. The Auction Participants shall place the orders with volume not lower than 5 (five) forward instruments.

3.8.4.2.3.3. The Tenderer's order is placed by the Exchange on behalf of the Tenderer, on the grounds of the application for opening of the auction, at the auction date and within the time limit specified in item 3.8.4.2.1.

3.8.4.2.3.4. During placing of the orders the Tenderer and the Auction Participants are furnished with access to their own orders only.

3.8.4.2.3.5. The Auction Participants are entitled to modify their own orders. The following items may be modified:

- a) offered number of the forward instruments,
- b) the price limit.

3.8.4.2.4. Closing of the auction.

The auction is closed after placing of the Tenderer's order and fixing of the auction results.

3.8.4.2.4.1. Principles of entering into transactions and execution of the orders.

- a) The transactions are entered into at the transaction price equal to the price limit that was specified in the Auction Participant's order introduced earlier, 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.

c) .

3.8.4.2.4.2. After accomplishing of the auction the non-executed orders shall be cancelled.

3.8.4.2.5. Publishing of the auction results.

The Exchange informs the general public about the auction results after closing of the auction.

3.8.4.2.5.1. In case of resolved auction the following information pieces are made public:

a) volume of the transactions, which have been entered into,

b) minimum and maximum transaction price,

c) volume-weighted mean transaction price of the auction (the auction transactions).

3.8.4.2.5.2. In case of non-resolved auction the following information pieces are made public:

a) auction volume determined by the Tenderer,

b) price limit determined by the Tenderer,

c) minimum and maximum price limit specified on the Auction Participants' orders.

3.8.5. 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.

3.8.6. 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_Q-q-yy or BASE-A_Q-q-yy, where: BASE_Q –basic name of the forward instrument, BASE-A_Q – name of the forward instrument for the auction system, q – number of consecutive quarter 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 and number of days per month: 2159-2209 MWh.
<b>Forward instrument price</b>	Expressed as PLN/MWh, with accuracy up to PLN 0.01.
<b>Forward contract value</b>	Forward instrument nominal value multiplied by forward instrument price.
<b>Time limit for execution</b>	One calendar quarter (from 90 days to 92 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 to the WCCH Management Board Resolution No 121/52/11/2011 dated on the day of November the 23<sup>rd</sup> 2011



# **Detailed clearing rules for the markets being run by POLPX**

## 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,
- **WCCH** - it should be understood as the Warsaw Commodity Clearing House SA with seat of business in Warsaw,
- **the Property Rights** - it should be understood as the property rights under certificates of origin for electricity generated in the renewable energy sources (RES) in the understanding of the Power Law Act, under certificates of origin for electricity generated in high-efficient combined heat and power units in the understanding of the Power Law Act as well as under the certificates of origin for the biogas, mentioned in Article 9o paragraph 1 of the Power Law Act,
- **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 that - acting on the grounds of appropriate agreements concluded with the House and individual Clearing Members of the House - provides financial services connected with clearing of the Transactions entered into on the exchange,
- **the Clearing Member of the House** - it should be understood as an entity that has obtained the House membership by virtue of resolution passed by the House Management Board and that has been allowed by the House to clear Transactions being entered into on the exchange ,
- **the Exchange Member** - it should be understood as an entity that has concluded the membership agreement with the Exchange
- **the Delivery Day** - it should be understood as a day on that the exchange commodity sold or purchased on the Trading Day will be delivered or received,
- **the Trading Day** - it should be understood as a day on that POLPX market rates are fixed for given Delivery Day,
- **the Exchange, POLPX** - it should be understood as the Polish Power Exchange,
- **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 April the 10<sup>th</sup> 1997 and titled "The Power Law" (Journal of Law No 89/2006, item 625 with later amendments),
- **the Bank Account** - it should be understood as an account opened by the Clearing Member of the House in the Clearing Bank for clearing the transactions entered into on the DAM, IDM, PRM, CDM and EAM markets.
- **the Subsidiary Account** - it should be understood as an account, opened by the Clearing Member of the House in the Clearing Bank in addition to the bank account and designed for the House's crediting of the account with receivables by the right of clearing of the Transactions, which have been entered into on the DAM, IDM, PRM, CDM and EAM markets.

- **the settlement report** - it should be understood as a report available in the clearing system and including the balance of payments by the right of the Transactions entered into on the exchange,
- **DAM** - it should be understood as the Day-Ahead Market run by the Exchange,
- **IDM** – it should be understood as 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 of the Exchange Commodity Market of the Polish Power Exchange,
- **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 Clearing Member of the House is a party of clearing of that,
- **OTC deal** - it should be understood as an exchange commodity sale contract concluded outside the session on the exchange, the Clearing Member of the House is the party of clearing on that,
- **the order** - it should be understood as an exchange commodity purchase or sale offer submitted on the exchange by the Exchange Member,
- **the Transaction Limit** - maximum value of the purchase transactions entered into on given day on the DAM, IDM, PRM and EAM market by given Clearing member of the House,
- **NCEBM** - it should be understood as the National Center of Emission Balancing and Management, an entity responsible for keeping records of the Emission Allowances in the Republic of Poland, assigned by the minister responsible for environmental issues,
- **NREA** - the National Register of Emission Allowances - it should be understood as the system of recording of the emission allowances, run by NCEBM in accordance with applicable regulations,
- **the recording accounts** - it should be understood as recording devices for recording of positions of exchange commodities, kept by the WCCH, according to the ID of Clearing Member of the House, client ID, exchange commodity series ID, type of activity ID and portfolio ID,
- **the accounting accounts** – it should be understood as recording devices serving for determination of liabilities and receivables resulting from clearings of exchange transactions, collateral margins as well as for recording of the means being lodged into the margins – kept by the WCCH according to the ID of the Clearing Member of the House as well as the client ID;
- **the Portfolio** - it should be understood as positions of the exchange commodities, registered in the recording accounts marked by the same House Member's ID and the same portfolio ID,
- **N - Day** - it should be understood as the day, clearing of the transaction was conducted by the House on which. The days preceding or following the N- Day are marked as N-1 or N+1, respectively.
- **the foreign clearing house** - it should be understood as an entity, acting independently towards the House, that conducts clearing of electricity trading transactions being entered into on the exchanges and executed outside the system mentioned in Article 3 item 23 of the Power Law Act.
- **The Non-pecuniary Collaterals Register** – it should be understood as a register, kept by the WCCH, serving for recording of the Property Rights, the CO2 Emission Allowances, the Bank Guarantees composing covering of the liabilities of the Clearing Members of the House as well as their clients (respectively) by the right of the collateral margins and the transaction margins.

## **Part I. Collateralization of the clearings**

### **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 Bank Accounts kept in the Clearing Bank for the Clearing Members of the House as well as on recognized non-pecuniary means registered in the Non-pecuniary Collaterals Register kept by the House.

1.2. In the Clearing System each Clearing Member of the House has got its Accounting Account, the collateral account (that reflects current status of collaterals of its Transactions) is a component of which.

1.3. On each day after accomplishing of quotations on DAM, IDM, PRM, CDM and EAM, till 4:00 p.m., the account balance is updated by receivables and liabilities reckoned during the clearing and settlement processes.

1.4. 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 Bank Account kept in the Clearing Bank for given Clearing Member of the House. Information pieces concerning the operations carried out in the Bank Account are received by the House from the Clearing Bank.

1.5. Updating of the collaterals shall be carried out in accordance with the following principles:

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

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

1.6. Before each Trading Day the House shall send to the Exchange the current Transaction Limit of the Clearing Member of the House, calculated as current holdings of the pecuniary resources deposited on the bank Account of given Clearing Member of the House, kept in the Clearing Bank, increased by recognized collaterals in non-pecuniary form, decreased or increased by balance of liabilities or receivables by the right of the Transactions, which have been entered into on the exchange as well as decreased by the Collateral Margins for the Commodity Derivatives Market (CDM).

1.7. The Transaction Limit that allows placing of the Order that shall be executed outside the system, mentioned in Article 3 item 23 of the Power Law Act, shall be established through relevant resolution of the WCCH Management Board.

### **2. The record-keeping devices.**

2.1. The House keeps separate sets of Recording accounts for individual Clearing Members of the House and – if given Clearing Member of the House clears clients – also for the clients of that Member as well as for individual markets being cleared by the House, the Clearing Member of the House is participant of which.

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.

2.3. The Recording account set for the Property Rights Market consists of:

- The recording accounts for the PMOZE Certificates of Origin,
- The recording accounts for the PMOZE\_A Certificates of Origin,
- The recording accounts for the PMMET Certificates of Origin,
- The recording accounts for the PMGM Certificates of Origin,
- The recording accounts for the P MEC Certificates of Origin.
- Recording accounts for the PMGB Certificates of Origin

2.4. For the Emission Allowance Market (EAM) the House keeps one Recording account for the CO2 Emission Allowances for each Clearing Member of the House as well as for each client of that Member.

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

3.1. The value of collateral margin is reckoned for each Clearing Member of the House, with assumption made for the highest statistically possible loss of positions taken during the consecutive session.

3.1.1. The value of liabilities for the collateral margin is reckoned for each Clearing Member of the House and it is registered on control accounts of the initial margins and variation margins, kept within the framework of the accounting account.

3.1.2 If given Clearing Member of the House clears its clients, the value of collateral margins, reckoned for the Clearing Member of the House, composes sum of the initial margins and sum of the variation margins, reckoned separately for each client, as well as the initial- and variation margins for own positions of given Clearing Member of the House.

3.2 In order to determine value of the collateral margins (the initial-and the variation margins), mentioned in paragraph 39 of the Regulations of the Exchange Clearing House, the positions taken by given Clearing Member of the House as well as by its clients are allocated to two baskets created according to the delivery periods, taking compensation of the positions within the framework of the delivery periods into consideration.

#### 3.2.1 The initial collateral margins

The initial collaterals are reckoned starting from the day on that the transaction is entered into, till the day before last Day of Delivery.

The margins are calculated according to the following algorithm:

$$Dw = \sum_{i=1}^N |LK_i - LS_i| * P_i * K\tau_i$$

Where:

$D_w$  - the initial margin value [zloty]

$LK_i$  - amount of electricity that has not been delivered and that falls to the purchase contracts for the  $i^{\text{th}}$  delivery period [MWh]

$LS_i$  - amount of electricity that has not been delivered and that falls to the sale contracts for the  $i^{\text{th}}$  delivery period [MWh]

$Kr_i$  - the clearing price for the  $i^{\text{th}}$  delivery period

$i$  - the delivery period

$P_i$  - risk parameter for the last day of the  $i^{\text{th}}$  delivery period

$N$  - number of the forward contracts delivery periods.

### 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 for given contract. The margins are calculated according to the following algorithm:

$$D_u = \sum_{i=1}^N LK_i * (Kr_i - Kk_i) + LS_i * (Ks_i - Kr_i)$$

Where:

$D_u$  - the variation margin value [zloty]

$LK_i$  - amount of electricity that has not been delivered and that falls to the purchase contracts for the  $i^{\text{th}}$  delivery period [MWh]

$LS_i$  - amount of electricity that has not been delivered and that falls to the sale contracts for the  $i^{\text{th}}$  delivery period [MWh]

$Kr_i$  - the clearing price for the  $i^{\text{th}}$  delivery period

$Kk_i$  - average weighed price of purchase transactions of the contracts for the  $i^{\text{th}}$  delivery period [zloty/MWh]

$Ks_i$  - average weighed price of sale transactions of the contracts for the  $i^{\text{th}}$  delivery period [zloty/MWh]

i - the delivery period

N - number of the forward contracts delivery periods

### 3.3 The delivery periods

3.3.1 The initial margin shall be calculated separately for each delivery period. One day shall be recognized as the delivery period if the delivery takes place within the period from one day to:

- 16 days, if Friday is the day the margin is reckoned on that,
- 15 days, if Saturday is the day the margin is reckoned on that,
- 14 days, if Sunday is the day the margin is reckoned on that,
- 13 days, if Monday is the day the margin is reckoned on that,
- 12 days, if Tuesday is the day the margin is reckoned on that,
- 11 days, if Wednesday is the day the margin is reckoned on that,
- 10 days, if Thursday is the day the margin is reckoned on that.

3.3.2 The week delivery periods, being in line with the deadlines for execution of the week contracts being under quotation, are created for the consecutive days.

3.3.3 The days, which are included in the week contract encompassing turn of two months are allocated between two baskets: the days of the month coming to the end are allocated to the first basket, while the days of the starting month are allocated to the second basket.

3.3.4 If the delivery period of the last week contract being under quotation does not finish on the last day of the month the basket is created for the days starting from the first day after the last Delivery Day for the last week contract being under quotation, till the last day of that month.

3.3.5 Consecutive delivery periods are created for days, which fall in line entirely with the month contracts being under quotation and create the month baskets.

3.3.6 If the delivery period of the last month contract being under quotation does not finish on the last day of the quarter the basket is created for the days starting from the first day after the last Delivery Day of the last month contract being under quotation, till the last day of that quarter.

3.3.7 Consecutive days, which are not encompassed by the delivery periods of the month contracts being under quotation, are grouped in quarter baskets, while the days, which are not encompassed by the delivery periods of the quarter contracts being under quotation, are grouped in year baskets.

3.4 The clearing price for the  $i^{\text{th}}$  delivery period is calculated according to the following algorithms:

3.4.1 For immediate Delivery Days (16 days if Friday is the day the margin is reckoned on that, 15 days .... etc.) from the moment of start of the quotations of week contracts corresponding to individual delivery periods

- as the arithmetic average of IRDN24 index from last seven (7) days in case of BASE type contracts
- as the arithmetic average of IRDN8.22 index from last five (5) working days in case of PEAK5 type contracts
- as the arithmetic average of IRDN24 index from last five (5) working days in case of BASE5 type contracts
- as the arithmetic average of IRDN8.22 index from last seven (7) days in case of PEAK7 type contracts
- as the arithmetic average from last seven (7) days, including: IRDN23.7 index (in case of working days) as well as IRDN24 index (in case of idle days) for OFFPEAK type contracts

3.4.2 For delivery periods being covered only by week contracts and being subject to the Exchange quotations the clearing price is calculated as average of the price of given week contract, corresponding to given delivery period, as well as the averages mentioned in item 3.4.1. (seven-day average for BASE contracts, five-day average for BASE5 contracts, seven-day average for PEAK7 contracts, five-day average for PEAK5 contracts as well as seven-day average for OFFPEAK contracts). In case when the week contract price amounts to 0, the price for the closest week contract shall be used for calculation of the clearing price for given delivery period. In case when the price of all week contracts with closer delivery period amounts to 0, the clearing price for the delivery period shall be calculated as per item 3.4.1.

3.4.3 For the other delivery periods the clearing price is calculated as the weighted average of the clearing prices of the contracts being under the POLPX quotations, corresponding to given delivery period:

$$K_r = \frac{k_w * n_w + k_m * n_m + k_q * n_q + k_y * n_y}{N}$$

where:

$k_{w,m,q,y}$  - the clearing price for week / month / quarter / year contract

$n_{w,m,q,y}$  - number of opened positions for week / month / quarter / year contracts

-  $N = n_w + n_m + n_q + n_y$

3.4.4 In case when the price calculated according to the rule presented in items 3.4.1. – 3.4.3. of the present regulations amounts to 0, the clearing price for the delivery period shall be equal to the price from the previous delivery period or the price shall be calculated with use of the arithmetic average of the prices for the contracts corresponding to given delivery period.

### 3.5 Determination of clearing prices in particular conditions

3.5.1. In the case, when the contract price established by the Exchange deviates significantly from the price of the previous day as well as when such situation significantly affect the clearing price for the delivery periods, the House Management Board shall be entitled to make corrections (through relevant resolution) of the price adopted for determination of the clearing price on given day in such manner that the clearing price will correspond to market values or to adopt the price from the previous day.

3.6. The initial margin shall assume only negative values, independently of the position taken. The variation margin may assume both negative and positive values. In case, when sum of the initial margin and the variation margin is positive the value of reckoned margins shall be decreased in such manner that the sum of the margins takes value of 0.

3.7. The House Management Board shall be entitled to assign (through relevant resolution) individual factors of the initial margin reduction for the Clearing Members of the House, taking the risk generated by the Clearing Members of the House or its clients into consideration. The reduction factors may be different for long and short positions, which have been taken. The reduction factors shall modify the risk parameters used for calculation of the initial margins.

3.8. Monetary means being paid into the collateral margins are blocked in the House Clearing Members' accounts kept in the Clearing Bank. Updating of the blocked collateral margins amounts shall be sent to the Clearing Bank on each working day till 4:00, along with the Settlement Report, with the reservation for item 9.5.1.

3.9. The Clearing Members of the House 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.

3.10. If the Clearing Member of the House does not have in its disposal means needed for managing of its liabilities, mentioned in item 3,9, above, it shall be obliged – according to the House's call – to reduce its positions on the CDM down to the holding, in which the value of monetary- and non-pecuniary means, deposited by that Member, covers its liabilities.

3.11. If within the period of two working days the Clearing Member of the House does not supplement the means, required for covering its liabilities or does not fall in line with the House's instructions, mentioned in item 3.10, the House's Management Board shall suspend (through appropriate Resolution) given Clearing Member of the House and shall implement procedures related to insolvency of given Member.

3.12. In case of Contracts being during the delivery period closing of the positions is made by opening of the positions opposite to the positions, which are taken in the instruments being quoted on the CDM as well as on the DAM and 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.

## **Part II. The financial clearings.**

### **4. General provisions.**

- 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 Clearing Member of the House has in its possession at least one Accounting Account in the clearing System. The Transactions, entered into on DAM, IDM, PRM, CDM and EAM, are cleared in the Accounting Account.
- 4.4. The Clearing Member of the House is obliged to have in its possession the Bank Account kept in the Clearing Bank. The Bank Account is designed for servicing of clearings and settlement carried out on the DAM, IDM, PRM, CDM and EAM and for collecting of monetary collaterals for purchase Transactions as well as for lodging the collateral margins for the Commodity Derivatives Market.
  - 4.4.1. The Clearing Member of the House shall be entitled to keep in the Clearing Bank the Subsidiary Account along with to the Bank Account.
  - 4.4.2. The Subsidiary Account kept along with the Bank Account is the account to be credited only by the House.
  - 4.4.3. In order to credit the Subsidiary Account of the Clearing Member of the House by the House during the clearing process, the Clearing Member of the House shall be obliged to submit appropriate motion to the WCCH Management Board; the motion specimen shall be set forth by the WCCH Management Board.
- 4.5. Bank Ochrony Srodowiska S.A. (BOS S.A.) (The Environmental Protection Bank Joints Stock Company) performs function of the Clearing Bank for clearing of the Transactions entered into on the exchange.
- 4.6. In order to assure safe and efficient process of settlements of the Transactions the House shall cooperate with the Bank (BOS S.A.).
- 4.7. The Clearing Member of the House 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 Clearing Member's Bank 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.
- 4.8. 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 markets.
- 4.9. The clearing process begins after the House receives from the Exchange data concerning all Transactions, which have been entered into on given Trading Day and confirmation that the received data are final. At the moment when the Exchange confirms the Transactions they become irrevocable for the Exchange and for third entities.
- 4.10. Settlement of the Transactions, entered into on the exchange by all Clearing Members of the House, which are parties of clearings of the Transactions on the DAM, IDM, PRM, CDM and EAM markets, shall be carried out by the House through the agency of the Clearing Bank.

4.11. Settlement of the Transactions with the foreign clearing house may be carried out without agency of the Clearing bank. In such case the foreign clearing house shall be obliged to manage its liabilities through payment made directly into the account indicated by the WCCH (within the deadline established by the WCCH Management Board through relevant resolution), before carrying out of the financial settlement by the House.

4.12. The liabilities or receivables of the foreign clearing house may be increased or decreased by payments resulted from the Transactions, which have been entered into on the exchange and which shall be executed outside the system, mentioned in Article 3 item 23 of the Power Law Act.

#### **5. Principles of determination of amount of receivables and liabilities by the right of the Transactions entered into on the DAM and IDM.**

5.1. On each Trading Day - after registering positions of the Transactions, being cleared by given Clearing member of the House - the House carries out current clearings of the session Transactions, which have been entered into on the DAM and IDM and the OTC deals, the House has received the order of clearing for which, increased by VAT tax value – on individual Accounting Accounts of given Clearing Member of the House and of its clients, respectively..

5.2. Sum of the clearing balances of individual Accounting Accounts, given Clearing Member of the House is responsible for clearing of which, is determined as value of the purchase Transactions entered into on the DAM and IDM reduced by the value of sale Transactions entered into on the DAM and IDM, with simultaneous increasing by the VAT tax value.

5.3. Value of the Transactions entered into on the DAM and IDM 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 determination of amount of receivables and liabilities by the right of execution of the Transactions entered into on the CDM.**

6.1. On each Trading Day 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 N+1, increased by VAT tax value – on individual Accounting Accounts of given Clearing Member of the House and of its clients, respectively.

6.2. Sum of the clearing balances of individual Accounting Accounts, given Clearing Member of the House is responsible for clearing of which, is determined as value of the electricity delivered on given day and resulted from the purchase Transactions entered into on the CDM reduced by the value of the electricity delivered on given day and resulted from the sale Transactions entered into on the CDM, with simultaneous increasing by the VAT tax value.

6.3. 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.

**7. Principles of determination of amount of receivables and liabilities by the right of the Transactions entered into on the PRM.**

7.1. On each Trading Day - after registering positions of the Transactions, being cleared by given Clearing member of the House - the House carries out current clearings of the session Transactions, which have been entered into on the PRM and the OTC deals, the House has received the order of clearing for which, increased by VAT tax value – on individual Accounting Accounts of given Clearing Member of the House and of its clients, respectively.

7.2. Sum of the clearing balances of individual Accounting Accounts, given Clearing Member of the House is responsible for clearing of which, is determined as value of the electricity delivered on given day and resulted from the purchase Transactions entered into on the PRM reduced by the value of the electricity delivered on given day and resulted from the sale Transactions entered into on the PRM, with simultaneous increasing by the VAT tax value.

7.4. Value of the Transactions entered into on the PRM shall be calculated as the product of the Transactions volume (expressed in kWh) as well as the Transactions price, expressed in PLN/MWh, divided by 1 000.

**8. Principles of determination of amount of receivables and liabilities by the right of the Transactions entered into on the EAM.**

8.1. On each Trading Day - after registering positions of the Transactions, being cleared by given Clearing member of the House - the House carries out current clearings of the session Transactions, which have been entered into on the EAM and the OTC deals, the House has received the order of clearing for which, increased by VAT tax value – on individual Accounting Accounts of given Clearing Member of the House and of its clients, respectively.

8.2. Sum of the clearing balances of individual Accounting Accounts, given Clearing Member of the House is responsible for clearing of which, is determined as value of the electricity delivered on given day and resulted from the purchase Transactions entered into on the EAM reduced by the value of the electricity delivered on given day and resulted from the sale Transactions entered into on the EAM, with simultaneous increasing by the VAT tax value.

8.3. Value of the Transactions entered into on the EAM shall be calculated as the product of the Transactions volume (expressed in tons (Mg)) as well as the Transactions price, expressed in PLN/Mg.

**Part III. Financial settlement**

**9. Principles of providing the Clearing Bank with relevant information.**

9.1. 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.

9.2. The Settlement Report shall include balances of payments of individual Clearing Members of the House, calculated as sum of balances for the DAM, IDM, PRM, CDM and EAM markets.

9.3. The Settlement Report being drawn out on the N-day encompasses the liabilities and the receivables resulted from the Transactions, which were entered into on PRM and EAM markets on N-day as well as those resulted from clearing of the IDM market on the Day N as well as resulted from clearing of the DAM and CDM market on the Day N+1.

9.4. The Settlement Report may be extended - according to the Exchange's motion -by other liabilities or receivables of the Clearing Members of the House towards the Exchange, which result from their membership in the Exchange.

9.5. The Settlement Report is sent to the Clearing Bank on the Clearing Day on each working day till 4:30 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. Till the moment of sending of the Settlement Report to the Clearing Bank the receivables and liabilities, which have been reckoned during the clearing process shall increase or decrease the Transaction Limit of given Clearing Member of the House in form of the Settlement Margin, published on the Private Web Site.

9.5.1 In case when the Exchange conducts re-calculation of the Clearing Price specified in the "Day-Ahead Market Detailed Rules of Electricity Trading and Settlement" the Settlement Report may be sent to the Clearing Bank after 4:00 p.m. In such case the House shall inform the Clearing Members of the House (by means of electronic mail message) about scheduled time of sending of the Settlement Report.

9.6. Till the moment when the House receives confirmation of execution of the payment instructions by the Clearing Bank the Transaction Limit of given Clearing Member of the House is increased or decreased by the liabilities or the receivables, which have been sent in the Settlement Report, in form of the Receivables Margin, published on the Private Web Site of given Clearing Member of the House.

9.6.1. In case when the subsidiary account kept along with the Bank account of given Clearing Member of the House is credited the Transaction Limit of the Clearing Member of the House shall not be increased by amount of means being disposed (transferred) into the Subsidiary Account.

9.7. On the grounds of the Settlement Reports the Clearing Bank carries out the inter-account movement of the pecuniary means between accounts of the Clearing Members of the House and the House account. The inter-account movement is carried out on the day following the Trading Day, after 8:00 a.m.. If the day following the Trading Day id the idle day the data for the settlement are sent on the first working day following that day.

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

9.8.1 In case when the Clearing Member of the House submits the motion mentioned in item 4.4.3 the House Clearing Member's account credited by the House shall be only the Subsidiary Account kept along with the Bank Account.

9.8.2 The House Clearing Member's Subsidiary Account shall be credited only in the case when the House Member has submitted the motion, mentioned in item 4.4.3, to the WCCH

Management Board as well as when the Settlement Report of given Clearing Member of the House (drawn out as result of clearing of the session) and the collaterals balance shows positive value

9.9. The Clearing Bank shall provide the House with confirmation of execution of the payment instructions on the day they have been executed on that, not later than till 6:00 p.m.

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

9.10.1. The assets kept in the Subsidiary Account shall not be blocked. The Clearing Member of the House shall be entitled to dispose of the assets in the Subsidiary Account kept along with the Bank Account in any time

9.10.2. In case when the Settlement Report is sent to the Clearing Bank after 4:00 p.m., but before 4:30 p.m. the Clearing Member of the House shall be entitled to issue instructions for withdrawal of financial assets from its own Bank Account, kept in the Clearing Bank, during the period between 4:30 p.m. and 5:00 p.m..

9.10.3 In case when the Settlement Report is sent to the Clearing Bank after 4:30 p.m. the Clearing Member of the House must not issue instructions for withdrawal of financial assets from its own Bank Account, kept in the Clearing Bank, on given day.

9.11. The financial settlement of the foreign clearing house, carried out without the agency of the Clearing Bank, shall be executed through withdrawal of the resources paid into the account indicated by the WCCH - in case when the foreign clearing house has the liability balance - as well as through payment of the resources, made by the House, into the account indicated by the foreign clearing house - in case when the foreign clearing house has the receivables balance.

## **10. The rules for the process of invoicing.**

10.1 The VAT invoices shall be issued on the days of execution of the monetary Settlement, for each period the monetary settlement is carried out for that.

10.2 In case when monetary settlement falls on an idle day or on the first from among consecutive idle days (including Saturday) the invoice shall be issued and the payment for delivery of exchange commodities shall be made on the closest working day. In case, when the monetary settlement falls on the second or consecutive following idle day (including Saturday) the invoice shall be issued and the payment for delivery of exchange commodities shall be made on the second working day following the last idle day.

10.3. The VAT invoice for the last day of the calendar month shall be issued on the first working day following that day, with the payment maturity falling on the same day.

#### **Part IV. The commodity settlement**

##### **11. The electricity settlement.**

11.1. The Transactions, electricity is subject of which and which are cleared by the House, shall be submitted to the TSO as a balance, with a breakdown into the Scheduling Units assigned by the TSO to the Clearing members of the House and their clients, respectively as well as to the Exchange.

11.2 The submission shall be executed for the Scheduling Units belonging to the POLPX. Change of the Scheduling Units, the Transactions will be submitted for which, is made through relevant resolution of the WCCH Management Board and the Clearing Members of the House shall be informed about that not later than one week before making the change.

11.3 The detailed principles of the electricity settlement have been determined in the Instructions for Operation and Commercial Use of the Transmission Network as well as in the Detailed Rules of Trading of the Polish Power Exchange.

##### **12. The Property Rights settlement**

12.1. Execution of Transactions entered into on the PRM is made through change of the holdings of individual Property Rights in the recording Accounts of relevant Property Right Register kept by the Exchange.

12.2. On the Trading Day, after completing of clearing of the Transactions, the House shall hand over a file, including the liabilities and receivables balances for individual Clearing Members of the House, expressed in the Property Rights, to the Register.

12.3. In case when the Clearing Member of the House enters into the Transaction on behalf of the client the process of inter-account movement of the Property Rights shall be carried out in the client's account kept in the Register.

12.4. Suspension of the Transaction clearings. Procedure in case of lack of sufficient quantity of the Property Rights in the Register Member account in normal mode. The POLPX purchase transaction of missing Property Rights in the mode of the OTC deal or the PRM session Transaction.

12.4.1 In case when it is necessary to suspend the clearing of exchange PRM Transaction by the House due to the insufficient quantity of Property Rights of given Clearing Member of the House in the COR, the WCCH immediately comes in contact with the transaction parties, however, not later than on day following the day, the Transaction has been entered on that till 9.00 a.m.

12.4.2 In case when the transacting party obliged to repurchase the Property Rights is a brokerage house, it executes the order on behalf of the customer it concluded sale transaction for the benefit of that.

- 12.4.3 In case when the transacting party obliged to repurchase the Property Rights is a Clearing Member of the House that is not a brokerage house, it executes the order on its own account.

- 12.4.4 The Clearing House shall block - in its own account kept in the Clearing Bank - the pecuniary means paid by the purchaser for clearing of the Transactions, which have been suspended.
- 12.4.5 The pecuniary means, mentioned item 11.4.4, are used for the clearing of the purchase transaction for the missing quantity of Property Rights. The party obliged to repurchase missing Property Rights shall cover the exchange difference during execution of that transaction.
- 12.4.6 The party obliged to repurchase the missing quantity of the Property Rights shall inform the House - on current basis - about actions taken as well as results of such actions.
- 12.4.7 The missing quantity of Property Rights is supplemented through placing of the purchase order by the Clearing Member of the House and entering into session Transaction or into an OTC deal to be cleared on POLPX at the nearest clearing date laid down in the schedule. The obliged party notifies the Clearing House immediately about placing of the order and sends a written confirmation of the order placed via Exchange IT system.
- 12.4.8 The missing quantity of Property Rights should be supplemented during the closest Trading Day on the exchange.

12.5. The purchase transaction for the missing quantity of Property Rights in the mode of additional OTC deal entered into on the PRM. The Exchange Management Board - acting in consultation with the Clearing House - may permit to enter into an additional OTC deal in order to supplement the missing quantity of the Property Rights in the account of the Register Member.

- 12.5.1. The additional OTC deal shall be entered into on the PRM and it shall be cleared by the House outside the trading days, established in relevant regulations of the Exchange and the House.
- 12.5.2. The Exchange Management Board - acting in consultation with the Clearing House - shall be entitled to permit to enter into an additional OTC deal according to the written application submitted by the entity obliged to purchase the missing amount of the Property Rights.
- 12.6. The procedure after repurchasing of the Property Rights.
  - 12.6.1 After entering into the Property Rights repurchase Transaction the House shall finally settle the suspended Transaction.
  - 12.6.2 The Transaction shall be financially cleared as well as settled in the Property Rights with use of the pecuniary means mentioned in item 11.4.4.
  - 12.6.3 In case of repurchasing of the Property Rights in the mode of additional OTC deal the settlement of the Property Rights shall take place immediately after entering into the Transaction. The financial clearing shall take place in the closest time limit for execution of the pecuniary settlement in the Clearing Bank.
  - 12.6.4 After clearing of the Property Rights repurchase Transaction, the Transaction clearing of that has been suspended, shall be cleared through entering of the suspended Transaction parameters into the COR IT system.
  - 12.6.5 The financial clearing is carried out with use of the pecuniary means, mentioned in item 11.4.4, as well as corrected with use of possible exchange differences. The House shall calculate the correction as well as shall issue appropriate payment documents.

### **13. The Emission Allowances settlement**

- 13.1 Each Clearing Member of the House admitted by the Exchange to participation on the EAM shall be obliged to have its emission account in the National Register of Emission Allowances.
- 13.2. The Clearing Member of the House shall be obliged to provide the House with information concerning its emission account number in the National Register of the Emission Allowances.
- 13.3. In case of change of the emission account, mentioned in item 13.2. above, the Clearing Member of the House shall be obliged to provide the House with up-to-date data of the account.
- 13.4. In order to carry out the settlement of the Transactions entered into on the EAM the House shall use its own emission account kept in the National Register of Emission Allowances.

13.5. The Clearing Member of the House that is going to enter into Emission Allowance sale Transaction on the Exchange has to make previous Emission Allowance transfer from its own emission account in the National Register of Emission Allowances into the emission account of the IRGIT.

13.6. Only the Emission Allowances, which are registered in the IRGIT emission account kept in NREA, may be subject of the Sale Order.

13.7. The House shall keep the records of the Emission Allowances deposited in the WCCH's emission account kept in the NREA.

13.8. The House shall register changes of the holdings of Emission Allowances resulted from the Transactions, which have been entered into and which are cleared by the Clearing Members of the House.

13.9. The Emission Allowances transfer from the WCCH's account into the House Clearing Member's account kept in the National Register of Emission Allowances shall be executed on the grounds of written application for transfer, delivered by fax.

13.10. The transfer shall not be executed if the volume specified in the application exceeds number of the Emission Allowances registered in the IRGIT's emission account and assigned to given Clearing Member of the House.

13.11. The Emission Allowances transfer shall be carried out till 12:00 on the first working day following the Trading Day.

**14. The settlement and the clearings of the electricity trading Transactions, which are entered into on the exchanges and executed outside the system, mentioned in Article 3 item 23 of the Power Law Act.**

14.1. Within the framework of organizing and carrying out of monetary clearings of the electricity trading Transactions, which are entered into on the exchange and executed outside the system, mentioned in Article 3 item 23 of the Power Law Act, the House in particular:

- shall establish amount of non-pecuniary benefits, the Clearing Members of the House are obliged to provide which or are entitled to obtain which for given inter-system connection (in the understanding of item 16 below),
- shall establish amount of the monetary benefits for the Clearing Members of the House, resulted from the amount of the benefits mentioned in item 1) above,
- shall render possible providing of the benefits, mentioned in item 2) above, through preparing of instructions causing crediting or charging of the bank accounts indicated by the Clearing Members of the House and kept in the Clearing Bank or by crediting or charging of the House's bank account,
- shall organize and manage - within the scope determined in the Regulations - the clearings collateralization system, including establishing of the Transaction Limits values for individual Clearing Members of the House or the Foreign clearing houses for given day,
- shall issue or accept - in behalf of the Clearing Members of the House - relevant accounting documents covering the monetary benefits mentioned in item 2) above.

14.2. The deliveries shall be submitted to the TSO with a breakdown into the Scheduling Units assigned by the TSO to the House Members (or to their clients, respectively), taking the deliveries executed with use of the inter-system connections into consideration. The inter-system connection should be understood as transmission capacities, which have been made accessible for commercial purposes by the Exchange with use of the connection between the national electrical power transmission system as well as the transmission systems of the neighboring countries.

14.3. Given exchange shall be an entity responsible for assuring of appropriate transmission capacities in the inter-system connections allowing the House Members to provide the non-pecuniary benefits resulted from the Transactions being cleared by the House. The rules for making the transmission capacities accessible for the House Members shall be established by the House in relevant agreement concerning clearing of the Transactions and concluded with given exchange.