

Trading Appendix 4

Clearing Rules

Nord Pool Spot Physical Markets

Issued by Nord Pool Spot AS

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1. INTRODUCTION

- 1.1.1 These Clearing Rules apply to the Clearing of Products in the Physical Markets.
- 1.1.2 Clearing is initiated by NPS entering into a Transaction as central counterparty and registering the Transaction on the Clearing Accounts of the Account Holders involved.
- 1.1.3 Clearing is subject to the fees set out in the Fee Schedule.
- 1.1.4 These Clearing Rules constitute a contract between NPS and each Account Holder in respect of Clearing and supplement the relevant Member Agreements and the Trading Rules – General Terms.

2. PREREQUISITES FOR CLEARING

2.1 Membership Categories and Requirements

- 2.1.1 Only legal entities may apply for membership. NPS may under special circumstances and in its sole discretion deviate from this requirement.
- 2.1.2 A prospective member must upon request from NPS be able to document that it possesses all Required Authorisations for its applicable membership category.
- 2.1.3 NPS recognises the following membership categories:
 - a. *Participant*
 - b. *Client Representative*
 - c. *Client*
- 2.1.4 Clients must at all times be party to a valid and effective Client Agreement, with a Client Representative approved by NPS.

2.2 Counterparty Eligibility

- 2.2.1 Only Members are eligible as Counterparties to NPS in Clearing Transactions. To be eligible as a Counterparty to Clearing Transactions, the Member must at the time that each Clearing Transaction is registered:
 - a. have appointed a clearing responsible;
 - b. have established one or more Trading Portfolio(s)
 - c. have established one or more bank account(s) for settlement purposes pursuant to Section 3.3 below;
 - d. have established one or more Clearing Account(s);
 - e. have established Collateral as a Pledged Cash Account, Pledged Collateral Cash Account or an On-Demand Guarantee, and have met its Collateral Call; and
 - f. not have its access to Clearing suspended or terminated in accordance with the Trading Rules.
- 2.2.2 Members must at all times, and immediately upon request from NPS, be able to document that they fulfil the criteria of this Section 2.2.

2.3 Continuous Information Obligations of Members

- 2.3.1 NPS may at any time request for and obtain credit information and otherwise monitor a Member's financial standing and soundness, level of competence and other matters relevant (in the opinion of NPS) to the financial and legal status of the Member, including Required Authorisations. Each Member agrees promptly to provide such information and documents as NPS may request, and to request any other party holding such information or documents on behalf of the Member to release such information or documents.
- 2.3.2 NPS may, without being prevented by any duty of confidentiality by any holder of information, request for and obtain such information and documents (where available) from the Member's bank(s) or other sources of relevant information as NPS considers appropriate. The Member shall promptly provide any additional waiver required for information to be provided to NPS.

- 2.3.3 A Member shall immediately notify NPS in writing as soon as the Member becomes aware of or finds it likely that any of the following events will occur in relation to it:
- a. any Non-Compliance Event under the Trading Rules or disciplinary, criminal, or regulatory proceedings related to Trading and Clearing activities involving the Member or its board of directors or employees involved in its Clearing with NPS;
 - b. any other matter relating to it of which a Member acting in good faith would reasonably expect to be of interest to NPS in relation to Clearing and its position as a Member.

3. ACCOUNT STRUCTURE

3.1 Trading Portfolio

- 3.1.1 Each Member is granted Trading Portfolio(s) for the Elspot and/or Elbas Markets in accordance with their Participant or Client Agreement.
- 3.1.2 Transactions carried through the Trading Portfolio(s) are transferred to the corresponding Clearing Account(s).

3.2 Clearing Accounts

- 3.2.1 When approving a Member, NPS shall establish at least one (1) Clearing Account with the Member.
- 3.2.2 When approving a Client, NPS will establish a Clearing Account with the Client and with the Client Representative if the Client Representative does not already have such an account. The Client Representative shall be deemed as authorised to represent the Client in all Client Transactions without further verifications or actions by NPS.
- 3.2.3 Each Clearing Account is associated with one or more Trading Portfolios of the Member, and is furthermore associated with one or more Cash Accounts.
- 3.2.4 Collateral Calls and Cash Settlement Amounts will be calculated separately for each Clearing Account.

3.3 Account for Cash Settlements

- 3.3.1 Each Member must at its own cost establish, designate and maintain at least one bank account for Cash Settlements. The bank holding the account must be approved by NPS. If the bank is not a Settlement Bank it must support NPS' Cash Settlement routines and systems without the need for any amendments or customisation by NPS.
- 3.3.2 The bank account used for Cash Settlements may only be used as a Pledged Cash Account where (i) the account bank is approved as a Settlement Bank and (ii) NPS is satisfied that the Pledged Cash Account Agreement will create a valid and enforceable security in favour of NPS in accordance with its intentions in the jurisdiction where the bank account is established.

4. CLEARING PROCEDURES

4.1 Transactions Concluded on the Physical Markets

- 4.1.1 Transactions concluded on the Physical Markets are automatically and mandatory subject to Clearing in accordance with the applicable Trading Rules.
- 4.1.2 Upon the conclusion of a Transaction, the result will be allocated to the applicable Clearing Account.
- 4.1.3 The Members are under an obligation to deliver or off-take the Delivery Amounts specified. Non-delivery or non-off-take is to be settled with the relevant Balance Responsible Party or Transmission System Operator in accordance with applicable rules, with no liability for NPS.
- 4.1.4 Cash Settlement will be based on the Transactions recorded with NPS only, and will not reflect

non-delivery or non-off-take.

4.2 **Cash Settlement**

- 4.2.1 NPS will provide information about each Member's Clearing Account(s), including information about Cash Settlement and Collateral.
- 4.2.2 For each Clearing Day, NPS will make available statements relating to Transactions and indicating the net amount per Trading Portfolio since the previous Clearing Day at such time as set out in the Clearing Schedule. These statements form the basis for the Cash Settlements falling due on that Clearing Day.
- 4.2.3 Client Representatives will have access to the same information as the Clients for all Clearing Accounts for which they are nominated as Client Representative.
- 4.2.4 NPS issues invoices and self-billing invoices to Members based on the statements referred to in Section 4.2.2 above. In addition the Members will be charged for the variable fees as set out in the Fee Schedule. Variable fees for Clients will be charged to the Client Representative. The statements shall be issued in the same trading Currency as the Order.
- 4.2.5 The invoice falls due the first Clearing Day following the invoice day. The amount due shall be available on the bank account which the Member has designated for Cash Settlements in accordance with Section 3.3.1 within 11:00 am on the date of payment with value date equal to the due date, and in the relevant Trading Currency.
- 4.2.6 Amounts provided in the self billing invoice shall be deposited on the Members Cash Account with value date, at the latest, on the second Clearing Day following invoice day and in the relevant Trading Currency.
- 4.2.7 In the event of overdue payment, the Parties may claim default interest pursuant to the Norwegian act of 17 December 1976 no. 100 regarding interest accrued in connection with late payment, as amended from time to time.

4.3 **Collateral requirements**

- 4.3.1 Each Member must at its own cost establish and maintain Collateral in accordance with the Clearing Rules, and ensure that the value of its Collateral posted at all times meets the applicable Collateral Calls.
- 4.3.2 Members may choose to provide Collateral through any one, or a combination, of the forms of Collateral allowed.
- 4.3.3 Whenever a Member uses Cash Collateral for meeting a Collateral Call, confirmations on the credit of the Pledged Cash Account or Pledged Collateral Account shall be sent by SWIFT message to NPS (or its nominee) from the bank holding the applicable Pledged Cash Account or Pledged Collateral Account.
- 4.3.4 NPS require minimum collateral from all Members. The minimum collateral call can be adjusted at NPS's discretion. The minimum Collateral must be established prior to the commencement of trading. The collateral call can be set individually, according to Member category or for all Members.
- 4.3.5 NPS shall stipulate the Collateral Calls for new Members, based on, inter alia, anticipated future net purchase.
- 4.3.6 Collateral Calls are stipulated by NPS each Clearing Day as the total purchase price for each Members net electricity purchase in Trading during a period of days decided by NPS, including VAT. The period can be changed with two days' notice in the form of an Exchange Information.
- 4.3.7 If a Member changes from net sale to net purchase, for the first such day, the Collateral Call is stipulated as net electricity purchase on the first day multiplied with a number of days, as set out by NPS. If the Member continues as a net purchaser, the Collateral Call shall be

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adjusted daily during the number of days set out by NPS and thereafter stipulated on ordinary terms. If the Member returns to a net sale position, the Collateral Call shall be reduced daily until the minimum amount is re-obtained.

- 4.3.8 The Collateral Call is stipulated for each Trading Currency. A Member operating with more than one Trading Currency shall state the currency applicable for the Collateral.
- 4.3.9 NPS may on its own discretion adjust the Collateral Call if the Members Trading change, or if special circumstances so require.
- 4.3.10 A Participant shall be notified of any Collateral Calls within 09:00 CET each Clearing Day. As for the Client, the notification may be given both to the Client Representative and the Client. Collateral Call must be met within 11:00 CET on the same Clearing Day.
- 4.3.11 A Member operating with more than one Trading Currency must agree with NPS on a Collateral Currency and will have all its Collateral Calls calculated and presented in such Collateral Currency following, where relevant, the application by NPS of such reasonable currency exchange rates as NPS considers appropriate.
- 4.3.12 Extraordinary Collateral may be required to be posted within one (1) hour after the Member receives notification, of the extraordinary Collateral call, in the form of Cash Collateral, or by otherwise increasing the Collateral provided by or on behalf of the Member by the same deadline. NPS may also, in its sole discretion, apply any other risk calculation procedure that the NPS considers appropriate under the relevant circumstances. The collateral call can be set individually, according to Member category or for all Members.

4.4 **Aggregated Collateral Arrangements**

- 4.4.1 Where a Member is a member of more than one Collateral Aggregation Market it may at any time request to have an Aggregated Collateral Arrangement with respect to all such Collateral Aggregation Markets. Such request shall be in writing and shall specify the proposed start date, the Member's preferred Collateral Currency, and an indication of which Collateral instrument(s) the Member proposes to use for the Aggregated Collateral Arrangement.
- 4.4.2 Following the receipt of a notice issued pursuant to Section 4.4.1, NPS shall consider the request of the Member and, where NPS is satisfied that the terms of the Collateral instrument(s) that the Member proposes to use in the context of the Aggregated Collateral Arrangement permits or will permit each of them to be applied as security for the obligations of the Member in any of the relevant Collateral Aggregation Markets, it shall without undue delay inform the Member in writing that it consents to the Member's request.
- 4.4.3 Where NPS consents to the request of the Member under Section 4.4.2, NPS shall agree with the Member on an appropriate start date for the Member's Aggregated Collateral Arrangement, and with effect from such date and for the duration of the Aggregated Collateral Arrangement:
 - a. The Member's Collateral requirements across all Collateral Aggregation Markets will be calculated in accordance with the then current NPS methodology for the valuation of Collateral and the calculation of Collateral Calls for Aggregated Collateral Arrangements, and
 - b. All Collateral Calls for the Member will be calculated and presented in the Collateral Currency following, where relevant, the application by NPS of such reasonable currency exchange rates as NPS considers appropriate; and
 - c. For the purposes of assessing if the Member fulfils its obligations in relation to its Collateral requirements, the balance of all Collateral which is denominated in a non-Collateral Currency (if any) will be converted into the Collateral Currency applying such reasonable currency exchange rates as NPS considers appropriate; and
 - d. Only Collateral that satisfies the requirements of Section 4.4.2 above will be considered by NPS when assessing whether the Member fulfils its obligations in relation to its Collateral requirements; and

- e. The terms "Collateral Call", "Base Collateral Call", and other references to NPS making a call for Collateral, shall be interpreted as being calls for Collateral in respect of all Collateral Aggregation Markets when used in these Clearing Rules and for all related purposes; and
- f. Nothing in this Section 4.4 shall be interpreted as having any effect on Settlement obligations under these Clearing Rules.

4.4.4 Where NPS declines the Member's request for an Aggregated Collateral Arrangement, it shall inform the Member without undue delay giving a reasonable explanation for such refusal, and the Collateral requirements for the Member (whether pursuant to these rules or any other rules applicable to another Collateral Aggregation Market) shall remain unaffected by the request.

5. CLIENT TRANSACTIONS

5.1.1 The following provisions will apply where a Client Representative is acting on behalf of a Client:

- a. A Client Representative may only represent a Client when approved by NPS to act as its Client Representative under a valid and effective Client Agreement at the relevant time.
- b. All communication between NPS and the Client relating to Client Transactions shall take place through the Client Representative, unless NPS in its sole discretion decides to involve the Client.
- c. The Client shall become Counterparty to NPS in respect of all Clearing Transactions.

5.1.2 The Client Representative is responsible for the following with respect to Client Transactions:

- a. The Client Representative shall ensure that its Client(s) posts Collateral for the Collateral Calls before placing bids on behalf of the Client(s).
- b. NPS shall inform the Client Representative if a Client fails to post collateral in accordance with the Collateral calls.
- c. The Client shall become Counterparty to NPS in respect of all Clearing Transactions.

6. TAX AND VAT

All Cash Settlement Amounts and other amounts referred to under these Clearing Rules are and will be calculated exclusive of VAT, except for Trading in Norwegian bid areas which will be calculated including VAT.

Each Counterparty is responsible for and shall settle any and all VAT and Tax arising in connection with its Trading activities and which is payable by that Counterparty under Applicable Law, with no further charge, reimbursement or indemnification to or from the other Counterparty irrespective of whether the Counterparty is required by Applicable Law to pay any VAT or Relevant Tax which is properly for the account of the other Counterparty.

7. NON-COMPLIANCE

7.1.1 NPS is upon a Non-Compliance Event entitled to any and all of the following actions:

- a. declare any or all claims of or against the defaulting Member due on that date;
- b. withhold any Cash Settlement Amount owed to the Member
- c. enforce, realise and apply its rights in the Collateral posted by or on behalf of the Member by either; (i) drawing upon Bank Guarantees provided to NPS by or on behalf of the Member, (ii) drawing upon the balance of the Pledged Cash Account or Pledged Collateral Account provided to NPS by or on behalf of the Member

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