

NORD POOL

NORD POOL SPOT AS

building a secure market

**RULEBOOK**

**FOR**

**NORD POOL SPOT'S PHYSICAL MARKETS**

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## **1. INTRODUCTION**

- 1.1** Nord Pool Spot AS ("NPS") is a Norwegian authorized market place for trading in electricity. NPS currently organizes the Elspot Market ("Elspot") and provides Settlement and Clearing of trades in Elspot and Elbas.
- 1.2** Nord Pool Finland Oy ("NPF") is a Finnish authorised market place for trading in electricity. NPF currently organises the Elbas Market ("Elbas") on behalf of NPS.
- 1.3** The Participants are entities operating in the Norwegian, Finnish, Swedish, Danish and/or German electricity market that have entered into a Participant Agreement with NPS or NPF.
- 1.4** Participants must enter into a Participant Agreement with NPS for Clearing of Transactions. A Participant may enter into Transactions for his own account and, when approved by NPS, as a Trading and Clearing Representative, also for the account of Clearing Customers.
- 1.5** Clearing Customers may have Trading at NPS and NPF carried out, and have their Transactions subject to Settlement and Clearing with NPS when represented by a Trading and Clearing Representative, as further provided for in a Clearing Customer Agreement.
- 1.6** Market Makers are Participants that has entered into a Market Maker Agreement with NPF for the purpose of acting as Market Maker in the Elbas Market.

## **2. THE RULEBOOK FOR ELSPOT AND ELBAS**

- 2.1** The Rulebook consists of these General Rules, the Appendices and the Agreements applicable.
- 2.2** The Rulebook is a set of private law agreements applying to NPS, NPF, Participants and Clearing Customers regulating Trading and Clearing and related activities.
- 2.3** Amendments to the General Rules and Appendices shall be notified in public with minimum two weeks notice, unless required by applicable laws or competent authorities to implement quicker changes. The Elspot Regulations (Appendix 1), the Elbas Regulations (Appendix 2), the Settlement Regulations (Appendix 3) and the Market Conduct Rules (Appendix 6) may however be amended upon one week's public notice. Amendments to an Agreement require the consent of all Parties to the relevant Agreement.
- 2.4** Norwegian law shall apply to Trading in the Elspot Market, Settlement, and Clearing and the part of the Rulebook relating thereto, with exemption for matters relating to delivery of electricity, where the local law of the delivery country shall apply.
- 2.5** Finnish law shall apply to Trading in the Elbas Market and the part of the Rulebook relating thereto, with exemption for matters relating to delivery of electricity, where the local law of the delivery country shall apply.

## **3. GENERAL INTERPRETATION RULES**

- 3.1** In the Rulebook references to an entity include a body corporate, an unincorporated association of persons or any other legal entity or physical person.

- 3.2** References to a Participant or Clearing Customer include references to the successors of that Participant or Clearing Customer.
- 3.3** References to points in time refer to Central European Time.
- 3.4** Any words importing the singular shall admit the plural where the context admits and vice versa. Any words importing the neutral gender shall include the feminine gender and the masculine gender (in respect of a physical person).
- 3.5** Included or including shall mean "included without limitation".
- 3.6** The headings in the Rulebook do not affect its interpretation.

#### **4. DEFINITIONS AND ABBREVIATIONS**

- 4.1** Capitalized terms in the Rulebook shall have the meaning assigned to them in Appendix 10 (Definitions).

#### **5. CONDITIONS FOR TRADING AND CLEARING**

##### **5.1 Participants**

- 5.1.1 Participants must prior to the commencement of Trading enter into a Participant Agreement with the relevant Physical Market.
- 5.1.2 Participants in the Elbas Market must also enter into a Participant Agreement with NPS for Settlement and Clearing purposes.
- 5.1.3 Each Participant must appoint minimum one Contact Person, to be approved by the relevant Physical Market. The Contact Person shall be fully authorised to represent the Participant towards NPS in all respects. Any change in the appointment of Contact Person shall be notified in writing to NPS before coming into force.
- 5.1.4 Nord Pool may require the Participant to set up electronic communication with Nord Pool according to Nord Pool's specifications.
- 5.1.5A Participant may apply to be approved as a Trading and Clearing Representative. The Trading and Clearing Representative must ensure that the Clearing Customer satisfies the conditions set out in Chapter 5 before Trading for the Clearing Customer's account and risk may commence.
- 5.1.6 Further requirements on Participants follow in the Participant Requirements (Appendix 4).

##### **5.2 Clearing Customers**

- 5.2.1 Clearing Customers must enter into a Clearing Customer Agreement with NPS and an approved Trading and Clearing Representative.
- 5.2.2 Further requirements on Clearing Customers follow in the Clearing Customer Requirements (Appendix 5).

##### **5.3 Market Makers**

- 5.3.1 Participants that wish to be Market Makers in the Elbas Market must enter into the Market Maker Agreement with NPF (Agreement 9).

## **5.4 Establishment of accounts**

- 5.4.1 When all conditions set out in, or pursuant to, Chapter 5 are fulfilled, NPS shall establish a Clearing Account for each Participant and Clearing Customer.
- 5.4.2 The Participant or the Clearing Customer must designate one Cash Account for each Trading Currency with respect to each Clearing Account.
- 5.4.3 Participants and Clearing Customers must establish a Pledged Cash Account or an On-Demand Guarantee for collateral purposes. Participants without Pledged Cash Account must designate a Non-Pledged Cash Account for settlement purposes.

## **5.5 Waiver of confidentiality**

- 5.5.1 As part of the approval of Participants and Clearing Customers, NPS may gather information about their solidity, competence and other relevant affairs.
- 5.5.2 NPS is allowed to gather credit information and other information about the Participants' and the Clearing Customers' financial position and capability to meet their respective obligations. NPS may for this purpose require relevant information from the Participant or the Clearing Customer, for example access to their financial statements and accounts. By signing the Participant Agreement and Clearing Customer Agreement the Participant and Clearing Customer respectively is deemed to accept that NPS without hindrance of any duty of secrecy, may collect information from the Participant's or the Clearing Customer's bankers or others who might have relevant information.

## **5.6 Public licenses**

- 5.6.1 The Participant and the Clearing Customer must have obtained all required public licenses prior to the commencement of Trading.

## **5.7 Agreement on balance responsibility**

- 5.7.1 The Participants and Clearing Customers must in its own name or through another company have entered into an agreement on balance responsibility with the relevant Balance Responsible Party or Transmission System Operator
- 5.7.2 If the agreement specified above is terminated, NPS may suspend the Participant and/or the Clearing Customer. If the agreement is terminated, the Participant and the Clearing Customer shall inform NPS immediately.
- 5.7.3 NPS may require that a Participant provides confirmation of its agreements with an Open Supplier

## **5.8 Reporting obligations and audit**

- 5.8.1 The Participant and the Clearing Customer shall immediately notify NPS of any change in share capital or reorganization which can be of importance for the credit evaluation of the company, including (but not limited to) mergers, split-up, decrease in share capital, changes in corporate structure as well as any change in information already given to NPS. The Participant and the Clearing

Customer shall inform NPS of any change to the company's articles of association or ownership before these are effectuated. NPS shall treat such information confidential.

5.8.2 NPS's auditor conducts both an accounting and a technical audit. It may be of relevance to carry out various inquiries in connection with the auditor's technical audit, in order to confirm that the controlling routines of the Participants and the Clearing Customers ensure that the obligations arising from the Rulebook are adequately fulfilled. The Participants and the Clearing Customer accept that such inquiries are conducted.

## **6. TRADING**

### **6.1 Listing of Instruments**

6.1.1 The relevant Physical Market decides which Instrument Series that shall be listed at the Physical Market.

6.1.2 Removal of listed Instrument Series is decided by the relevant Physical Market. Delisting may not be effected for Instrument Series where there is Open Balance.

### **6.2 Trading Systems**

6.2.1 NPS and NPF maintains an electronic trading system (ETS) and a telephone trading system (MTS) as further regulated in the Trading Regulations (Appendix 1 and 2).

6.2.2 NPS and NPF organise Trading in Instruments among Participants by receiving Bids in the Trading Systems and according to prevailing rules for price calculations determine traded volumes and prices.

6.2.3 Trading at Elspot and Elbas is organised anonymously so that the identities of the Participants placing Bids and entering into Transactions are not disclosed to other Participants or third parties, unless required by law.

6.2.4 Further regulations on Trading follow in the Elspot Regulations (Appendix 1) and the Elbas Regulations (Appendix 2).

### **6.3 Clearing**

6.3.1 A Transaction is automatically submitted to NPS and subject to Settlement and Clearing upon registration with NPS, cf. Chapter 7.

### **6.4 Intra Day Trading Limits**

6.4.1 Participants may be subject to Intra Day Trading Limits related to their positions and Collateral posted.

### **6.5 Trading Fees**

6.5.1 The Participants shall pay the Trading Fees prevailing from time to time as further provided in the Fee Schedule (Appendix 9).

## **7. CLEARING**

### **7.1 Central Counterparty Clearing**

7.1.1 NPS shall register for Clearing all Transactions that are submitted to NPS.

7.1.2 NPS enters into the Transactions as central counterparty performing Settlement and Clearing upon registration of a Transaction with NPS and NPF, where after NPS and the relevant Participants or Clearing Customers becomes parties in the Transaction.

7.1.3 NPS shall maintain a clearing system in which all Transactions are recorded at Clearing Accounts maintained for each Participant or Clearing Customer.

### **7.2 Collateral requirements**

7.2.1 Participants and Clearing Customers shall provide Collateral for its obligations towards NPS. The Collateral requirement is calculated by NPS.

7.2.2 NPS may, to secure Settlement and/or electricity delivery, in addition set an Account Balance Limit or an Open Supplier requirement.

7.2.3 Collateral shall be provided at the time and in the form specified in Appendix 3 (the Clearing Regulations).

7.2.4 NPS may call for extraordinary and immediate posting of Collateral if market conditions or other circumstances so warrants.

### **7.3 Settlement**

7.3.1 NPS shall inform each Participant of the payment and delivery obligations and entitlements of that Participant, and in respect of Trading and Clearing Representatives also regarding their Clearing Customers.

7.3.2 Payments and deliveries are further regulated in Appendix 3 (the Clearing Regulations).

7.3.3 NPS may set-off any and all claims and receivables between NPS and the respective Participant or Clearing Customer. NPS may also set-off delivery obligations.

7.3.4 NPS is responsible for reporting the Delivery Amounts to the relevant Transmission System Operators.

## **8. DEFAULT AND NON-COMPLIANCE**

### **8.1 Definitions of Default and Non-Compliance**

8.1.1 Default exists if NPS or a Participant or Clearing Customer fails to meet obligations with respect to Collateral or Settlement.

8.1.2 Non-Compliance exists if NPS, NPF, a Participant or Clearing Customer fails to meet any other requirements and obligations under the Rulebook.

## **8.2 Default by a Participant**

8.2.1 NPS is upon a Default by a Participant entitled to any or all of the following actions:

8.2.1.1 Suspend the Participant.

8.2.1.2 Instruct the Participant to withdraw all Bids and close positions.

8.2.1.3 Foreclose on the Collateral and set off receivables of the Participant against the Participant's obligations to NPS.

8.2.1.4 Terminate the Participant Agreement in the event of a material Default.

## **8.3 Default by a Clearing Customer**

8.3.1 NPS is upon a Default by a Clearing Customer entitled to any and all of the following actions:

8.3.1.1 Suspend the Clearing Customer.

8.3.1.2 Instruct the Trading and Clearing Representative to withdraw all Bids and close positions.

8.3.1.3 Foreclose on the Collateral and set off receivables of the Clearing Customer against the Clearing Customer's obligations towards NPS.

8.3.1.4 Terminate the Clearing Customer Agreement in the event of a material Default.

## **8.4 Non-Compliance**

8.4.1 NPS or NPF is upon Non-Compliance by a Participant entitled to any and all of the following actions:

8.4.1.1 Issue a written warning to the Participant.

8.4.1.2 Suspend the Participant from Trading.

8.4.1.3 Terminate the Participant Agreement in the event of material Non-Compliance.

**8.5** Before imposing a sanction, the Participant shall, if possible, be given an opportunity to present a rejoinder and to give an opinion on the facts presented by another Party.

**8.6** NPS and NPF may in their sole discretion independently decide on whether or not and how to make their sanctions public.

## **9. FORCE MAJEURE**

**9.1** The rights and obligations of the Parties under the Rulebook cease in a Force Majeure situation. As Force Majeure is considered, inter alia, changes to applicable laws and regulations, instructions by regulatory bodies, natural disasters, strikes, lockouts, sabotage as well as rationing situations.

**9.2** Each Party shall notify the other Party immediately of any Force Majeure situation.

**9.3** The Parties shall to the extent possible prevent or limit the consequences of a Force Majeure situation, in order for normal service to be resumed as soon as possible.

## **10. LIABILITY**

**10.1** The Parties are not liable for damages unless having acted with negligence or willful conduct, however so that liability for indirect or consequential damages requires gross negligence.

**10.2** The Parties have at all times a strict liability to meet their settlement obligations but their liabilities for further damages are limited as to the above.

**10.3** The Parties are not responsible for damages and losses caused by a Force Majeure situation.

## **11. MARKET CONDUCT AND MARKET SURVEILLANCE**

**11.1** Participants and Clearing Customers shall at all times comply with the provisions of the Market Conduct Rules (Appendix 6).

**11.2** Non-compliance with Market Conduct Rules may be sanctioned by Nord Pool according to further provision in the Market Conduct Rules

**11.3** The Market Surveillance Unit shall monitor the Trading on the Elspot and Elbas Markets and ensure that the operations are conducted in accordance with applicable laws, public regulations and the Rulebook.

**11.4** The Market Surveillance Unit may, when it finds it proper, carry out investigations of Participants and Clearing Customers. The Market Surveillance Unit may make requests to and collect information from Participants and Clearing Customers concerning their own or their clients' or customers' or employers' business. Such business includes all physical and financial Bidding and Trading.

**11.5** In connection with investigations of Participants' and Clearing Customers' business, the Market Surveillance Unit may, directly from the relevant Balance Responsible Party or Transmission System Operator, gather any data relating to management, market and settling of accounts.

**11.6** The market supervision body at the Transmission System Operator may, in connection with the investigations relating to its markets, make requests to NPS and collect information regarding Participants' and Clearing Customers' physical Trading at NPS.

**11.7** Nord Pool may impose a daily charge on an entity or person that does not comply with its information duty running until the entity or person provides the information.

## **12. INFORMATION MATTERS**

**12.1** NPS and NPF are, regardless of confidentiality duty, entitled to compile and distribute information regarding trading data and technical and financial matters, as far as the information does not identify an individual Participant or Clearing Customer. NPS and NPF holds exclusive proprietary rights to the trading data, however so that a Participant and Clearing Customer holds non-exclusive rights to any trading data originating from him.

**12.2** NPS may, without consent from the Participant or the Clearing Customer, pass on information to public authorities if so required by law or regulation. NPS will in such cases inform the Participant and the Clearing Customer of the information given.