

ECC Clearing Circular 20/2024

Handling of delivery risk in EPEX GB power spot markets: New limit management option for Clearing Members in M7 and ETS

Targeted recipients of this Clearing Circular:

- Clearing Members offering clearing services for Non-Clearing Members active on EPEX GB power spot markets
- Non-Clearing Members acting in EPEX GB markets

Summary

EPEX SPOT will enable a new functionality in the trading systems ETS and M7 for the GB power spot markets, which allows ECC Clearing Members to determine on a member-per-member basis to include or exclude delivery risk exposures in the utilization of the financial pre-trade limit. **This new option will be available from 23 April 2024 onwards.**

Clearing Members are asked to inform ECC if they would like to deviate from the default setting (consideration of delivery risk) and to deactivate the GB Delivery Risk Parameter.

Contact

European Commodity Clearing AG
Clearing & Settlement
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Background: GB Power Spot Delivery Risk

In the GB power market area, the network operator holds the authority to cancel or curtail ECC's physical nominations as a result of a trading participant's failure to cover imbalance risks with sufficient collaterals. To address the resulting financial risk, ECC incorporates a portion of delivery risk exposures – arising from sell trades at positive prices and buy trades at negative prices – into the historic exposure calculation of the Initial Margin Spot Markets (IMSM). For detailed information, please refer to the ECC Spot Market Margining document (chapter 2.3).

Additionally, the EPEX SPOT trading systems (ETS and M7) provide a mechanism to consider the GB delivery risk associated with sell orders or trades for the pre-trade limit utilization. This is achieved by multiplying the volume (MWh) of an order or trade by the price-independent Delivery Risk Parameter determined by ECC. The resulting value reduces the available trading limit of the trading participant. Furthermore, a sell trade currently will not replenish the available trading limit of the trading participant, as is the case in other market areas without delivery risk. You can find the currently applied Delivery Risk Parameter on ECC's website.

Previously, the Delivery Risk Parameter was uniformly applied to all Non-Clearing Members, regardless of individual risk assessment by the Clearing Member.

Scope of the new option

To enhance flexibility and enable Clearing Members to manage delivery risks more effectively for their Non-Clearing Members, EPEX SPOT will update the Delivery Risk Parameter functionality within the ETS and M7 trading systems. This update will allow to activate or deactivate the application of the Delivery Risk Parameter on a member-per-member basis.

By default, the Delivery Risk Parameter is activated. This means that sell orders as well as trades will lead to a reduction of the available trading limit, and sell trades will not credit back available cash limits of the trading participant.

Please note that **this new option will be available from 23 April 2024 onwards.**

Request for action to Non-Clearing Members and Clearing Members

We kindly request Non-Clearing Members active on the EPEX SPOT GB Power markets to coordinate with their Clearing Members regarding a potential deactivation of the Delivery Risk Parameter function in the applicable trading system.

To request deactivation in the trading system, the Clearing Member should send an e-mail to the ECC Clearing & Settlement team (contact details below). Your email should include the following information:

1. **ECC Member ID** of the **Non-Clearing Member(s)**
2. Desired **start date** of deactivation / request for **immediate deactivation**

If the affected Non-Clearing Member is active in both ETS and M7, the deactivation of the Delivery Risk Parameter will be applied to both trading systems.

Please ensure that the e-mail is sent from colleagues authorized to send trading limits to ECC and that the 4-eye principle for limit setting is adhered to. **Authorized users** are ECC Member Area Users with the rights "ReadWriteLimit" and "ViewClient". A second authorized user needs to be copied on the e-mail.

Unless a specific future deactivation date is specified, all requests submitted to ECC by 19 April 2024, noon, will result in the deactivation of the Delivery Risk Parameter functionality on 23 April 2024 in the respective trading system. In case of a future activation of the Delivery Risk Parameter, please use the same process by providing the Member ID and the start date of the activation by e-mail to ECC using the described 4-eye principle.

All requests for activation / deactivation of the Delivery Risk Parameter submitted to ECC after 19 April 2024, noon, will be processed as soon as possible on best effort by ECC and EPEX.

For any additional information, please feel free to reach out to your Key Account Manager or contact the ECC Clearing & Settlement team:

 +49 341 24680-444

 clearing@ecc.de