

## Introduction of PEGAS PVB Spot and Physical Futures

### Summary

From **June 18<sup>th</sup> 2019** onwards, ECC will offer clearing services for PEGAS Spot and Physical Futures on the Iberian Virtual Trading Point, PVB, with physical delivery in the Spanish balancing zone, PVB-ES.

This Clearing Circular contains information regarding the product setup, the clearing and settlement processes as well as the preconditions for participation.

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## Product Setup

The PEGAS PVB Spot and Futures offered at Powernext for screen trading and trade registration are set up as follows within the ECC clearing system:

ISIN Code	Product ID	Name	SMSS Product Group
-	-	PVB Natural Gas Within-Day Contracts	PWX_IT_NATGAS_PVB
-	-	PVB Natural Gas Spot Contracts	PWX_ST_NATGAS_PVB
-	-	PVB Natural Gas Spot Discount	PWX_DS_NATGAS_PVB
DE000A2LZ6S8	GEBM	PVB Natural Gas Month Futures	PWX_FT_NATGAS_PVB / PWX_FE_NATGAS_PVB
DE000A2LZ6T6	GEBQ	PVB Natural Gas Quarter Futures	
DE000A2LZ6U4	GEBS	PVB Natural Gas Season Futures	
DE000A2LZ6V2	GEBY	PVB Natural Gas Year Futures	
-	-	PVB Natural Gas Futures Discount	PWX_DF_NATGAS_PVB

Detailed information on the product setup is provided in the ECC Clearing Specification, ECC SMSS-XML-Report Specification, and the ECC Contract Detail File, which are available for downloading on the ECC website.

## Physical Settlement

Physical Settlement of Natural Gas transactions will be provided by ECC's Luxembourg-based subsidiary - European Commodity Clearing Luxembourg S.à.r.l. Physical positions for Futures and Day-Ahead are netted within the nomination. Physical positions resulting from Within-Day transactions are nominated separately. Spanish gas products are nominated on the PVB Hub by ECC only once at the end of the trading session. Trading opening and closure times are further specified by Powernext. Nominated positions are shown in the SMSS Delivery Report Summary and also traceable in the Online View of the ECC Member Area.

ECC will nominate with the following EIC Code in the respective Delivery Area:

EIC Code	Market Area	Nomination Method
20X-LU003-ECC--S	PVB	ECC Single Side Nomination

## Clearing Process

### Settlement process of Spot products

All Within-Day and Day-Ahead transactions will be imported into ECC's clearing system (SMSS) using the existing ECC member ID (e.g. ABCEX). All transactions in the new products concluded before the booking cut (currently 4:00 pm CET on ECC business days) are netted with all other spot transactions into one net payment per Clearing Member and currency. These payments are financially settled on the next ECC business day.

Transactions which are concluded after the booking cut are settled on the next but one ECC business day. The exact delivery and payment date is provided for every trading participant individually in the ECC reports on spot market transactions. Detailed information on the product set-up within the reports is provided by the SMSS Report Specification, which is available for downloading on the ECC website.

## Spreads

Spread transactions will be settled within the ECC standard processes like existing PEGAS spread contracts. Powernext and ECC will waive the fees for one leg. Those reimbursements will be disclosed separately using the discount product groups as shown in the table above in the course of monthly invoicing. The reimbursement on a single trade basis can be retraced via the ECC Member Area. The corresponding transaction will be forwarded by Powernext to ECC at the end of each trading day. The “External ID” of those transactions consists of the transaction type “DS”/“DF” and the transaction identification number of the original trade.

## Registration of Futures transactions for clearing

The transactions concluded on Powernext are imported into the EUREX clearing system and integrated into the standard clearing processes for derivative contracts. Transactions are included in the EUREX data streams and in the EUREX reports. In addition, the transactions can be retrieved via the ECC Member Area after 9:30 am CET on the next ECC business day.

The transactions are processed in the ECC settlement system SMSS for invoicing purposes using the product groups mentioned above.

## Financial Settlement of Futures products

PEGAS PVB Natural Gas Futures are nominated in Euro (EUR). For open future positions and new transactions in futures a variation margin is calculated and settled on every ECC business day. The settlement prices required to this end are determined by Powernext in EUR for PVB Physical Natural Gas Futures and published in the Eurex system at approximately 7:00 pm CET.

Once a contract is in delivery the respective delivery volume is settled financially at the final settlement price. The settlement procedure of the physical BoM futures is aligned with the Spot Market settlement. Payments will be reported in the ECC Payment Report Summary (PRS) and Payment Report Detail (PRD). These reports are available via ECC FTP or e-mail at around 5:00 pm (CET) on the currency-specific business day preceding proceeding the payment date.

For more information on the financial settlement of physical BoM futures please see the ECC Clearing Circular 24/2018.

## Margining

For open futures and options positions an initial margin will be calculated according to ECC's standard methodology (SPAN<sup>1</sup>). Margin parameters are updated and published daily in the SPAN parameter file on the ECC website. For the delivery risk ECC will calculate a delivery margin for contracts in delivery which is included in the expiry month factor. The expiry month factor is published in the ECC Risk Parameters on ECC website. Furthermore an additional margin (AMBO) is called as described in ECC Clearing Circular 46/2018.

The initial margin requirements will be reported in the SPAN margin class in the EUREX Report CC050 Daily Margin.

For spot transactions exposures will be included in the time series of exposures used for the daily calculation of the Spot Initial Margin (IMSM) and will also be included in the Current Exposure Spot Market (CESM). Exposures are netted with exposures from all other spot market transactions providing full cross-margining effects across all cleared ECC spot venues. The margin requirement is listed in the EUREX report CC050 and will be contained in the "IMSM" and "CESM" margin classes. Furthermore the IMSM requirement is reported in the ECC Margin Report Summary (MRS).

## Fees and Invoicing

Invoicing of ECC clearing fees remains unchanged. The following clearing fees will be charged according to the ECC Price List:

Transaction	ECC Clearing Fee	ECC Delivery Fee
PEGAS PVB Within-Day and Spot	0.01 €/MWh	-
PEGAS PVB Futures	0.0025 €/MWh	0.01 €/MWh

## EMIR Reporting

Please note that PEGAS PVB Futures have to be reported according to EMIR Article 9. Therefore ECC's EMIR Data Services will automatically be extended to these products.

## Preconditions for Participation

### Clearing Member

The ECC clearing licence for Clearing Members already covers the clearing of PEGAS PVB Spot and Futures contracts.

### Non-Clearing Member

Participation in PEGAS PVB Spot and Futures (Regulated Market) requires the approval as a trading participant in this market.

<sup>1</sup> SPAN® is a registered trademark of Chicago Mercantile Exchange Inc., used herein under license. Chicago Mercantile Exchange Inc. assumes no liability in connection with the use of SPAN by any person or entity.

In that case the customer needs to provide the respective TP form (TP\_PWX\_01a / TP\_PWX\_01b / TP\_PWX\_01c) to ECC Member Readiness by post or E-mail ([memberreadiness@ecc.de](mailto:memberreadiness@ecc.de)). The customer will be then set up in the systems whilst the respective Clearing Member provides its accordance.

Customers who are not yet admitted at ECC and/ or PEGAS need to complete the standard admission process with ECC Member Readiness and Powernext Membership ([membership@powernext.com](mailto:membership@powernext.com)).

All required admission forms are available on ECC's website.