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## ▶ ECC Clearing Circular 45/2016 | 2016-09-15

Introduction of EPEX French Capacity Market

### Summary

ECC intends to offer clearing services for French capacity guarantees traded at EPEX SPOT SE. The first auction is planned for December 2016. The exact date of the auction will be communicated soon.

In this Clearing Circular, we would like to provide information regarding the new product, the settlement process and the preconditions for participation.

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## Background

The French Capacity Market mechanism specifies that each energy supplier contributes to the security of electricity supply in France, in accordance with the demand characteristics of its customers. Thus suppliers have an obligation to secure/buy guarantees to cover peak consumption of their customers. Symmetrically, all capacity owners (power plants and demand response) in metropolitan France must have their production tools certified and get capacity certificates for that.

## Auction Process

Prior to the auction trading participants will have to deposit capacity guarantees on ECC's registry account (held by RTE) in order to be allowed to sell guarantees. Only after such deposit trading participants are permitted to enter sell orders in the Trading System. Trading participants who wish to buy guarantees will have to negotiate their financial limits with their clearing bank before the auction. The detailed auction process will be explained in a second circular.

## Product Setup

The French capacity guarantees offered for trading at EPEX will be setup as follows in the ECC clearing and settlement system SMSS:

ECC Product Group	Name
EPEX_ST_CGFR2017_DMS	French Capacity Guarantees with delivery year 2017

The ECC product group will be used for invoicing from the ECC clearing and settlement system SMSS. Detailed information on the product setup is provided in the ECC Clearing Specification, which is available for downloading on [ECC's website](#).

## Settlement Process

### Financial Settlement

All auction transactions will be imported into the ECC clearing and settlement system SMSS using the existing ECC member ID (e.g. ABCEX).

In addition to any other spot transactions on power, gas and emission allowances, the values of the transactions concluded are netted out into one net payment per trading participant or Clearing Member on every ECC business day at the accounting cut at 16:00 (CET) (payment group EUR\_1600). In this process, all new transactions which have been concluded since the last accounting cut will be considered, as it is currently the case for other products. All transactions concluded before the accounting cut, are financially settled on the next ECC business day. Transactions which are concluded after the accounting cut are settled on the ECC business day after next. The exact delivery and payment date is provided in the ECC reports on spot market transactions. Detailed information on the product setup within the reports is provided by the ECC Report Specification, which is available for downloading on [ECC's website](#).

## Physical Settlement

Following the auction, nomination will be sent by ECC to RTE for the delivery of guarantees on RTE registry accounts. All non-executed volumes of guarantees will be returned to each participant's registry account.

## Margining

Exposures from transactions in French capacity guarantees will be included in the Current Exposure Spot Market (CESM). The exposures will be netted with exposures from all other spot market transactions providing full cross-margining effects across all cleared spot venues of ECC. The margin requirement is listed in the Eurex Report CC050 and will be contained in the corresponding margin class "CESM".

## Limit Functionalities

ECC requests a financial limit for buying capacity guarantees. The financial limit is based on an amount in Euro which is set by the Clearing Member for a single auction day. At the submission of a buy order, it is checked that the maximum financial exposure of the order is covered by the current value of the limit. An order not compliant with the current value of the limit is automatically rejected by the trading system. If no limit is provided for a trading participant, then all buy orders will be automatically accepted, i.e. the member could technically trade in an unlimited fashion.

## Preconditions for Participation

The ECC clearing licence for Clearing Members already covers clearing of the new contracts.

Trading participants who are already admitted for trading at EPEX have to submit the respective TP form for trading EPEX French capacity guarantees to ECC which will be available on [ECC's website](#) as of October 2016.

Generally participation in trading requires an application for recognition as a trading participant at EPEX (TP\_EPEX\_01a/TP\_EPEX\_01b) and, if required, a current NCM agreement (NCM02) including the "EPEX Spot SE" market or "All Markets". EPEX trading participants who have not been registered with ECC so far have to complete the admission process as a Non-Clearing Member including the ECC KYC process.

The corresponding forms are available for downloading on [ECC's website](#).

Trading participants need to open a trading account on the RTE registry for capacity guarantees.