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▶ **ECC Clearing Circular 02/2017 | 2017-01-26**

Update information concerning ECC Clearing Circular 59/2016

**Summary**

The amendment of the EPEX SPOT Trading Limit methodology in the EuroLight UK trading system which was announced in the ECC Clearing Circular 59/2016 will be postponed.

A revised methodology, considering further optimization in the Delivery Risk calculation, will be applied from Trading Day **16<sup>th</sup> of March 2017** onwards.

In this Clearing Circular, ECC would like to provide further information regarding the planned changes, the necessary preparations by Trading Participants and Clearing Members, and the go-live procedure.

The changes compared to ECC Circular 59/2016 are highlighted in **green**.

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## Details on changes to EPEX SPOT UK trading limit (APXUK\_GBP)

### Current Limit Reset

In EPEX SPOT's Trading System EuroLight UK, limit utilization is currently reset each Calendar Day at 16:00 CET, when all trades since the last reset are removed from the limit's allocation.

In order to account for weekends and bank-holidays, when ECC cannot financially settle transactions, many limits have been significantly reduced to ensure the total payment amount determined on Monday 16:00 CET stays within the pre-defined boundary.

#### Example:

- Clearing Member Risk Limit per Settlement Cycle: GBP 300k
- OLD Trading Limit (APXUK\_GBP) set per **Calendar Day**:
  - o GBP 300k for Tue - Fri (each day is individually limited and financially settled, i.e. client could trade for GBP 300k per day)
  - o GBP **100k** for Sat - Mon (the three days are **individually limited** but collectively settled, i.e. client could trade only up to GBP 100k per day in order to stay below GBP 300k on Monday)

In many cases, Clearing Members set the more restrictive value applying for each trading day.

### Improved Limit Reset

From **Trading Day 16<sup>th</sup> March 2017** onwards, limit utilization in EPEX SPOT's EuroLight UK will only be reset on days where ECC is able to financially settle GBP payments.

By doing so, the financial trading limit can actually represent the risk limit per settlement cycle. This will increase the flexibility of Trading Participants on Saturdays, Sundays, and Mondays. Likewise Clearing Members that chose to scale down limits to account for weekends or bank holidays will not need to take this into account any longer.

#### Example:

- Clearing Member Risk Limit per Settlement Cycle: GBP 300k
- NEW Trading Limit (APXUK\_GBP) set per **Settlement Cycle**:
  - o GBP 300k for Tue - Fri (each day is individually limited and financially settled)
  - o GBP **300k** for Sat - Mon (three days are **collectively limited** and financially settled)

For limits defined by Clearing Members, which have currently been set to the more restrictive value, an update is likely required, in order to avoid unnecessary trading restrictions over the weekend session now covering 72 hours of trading days compared to previously 24 hours.

## Improved Formula for Delivery Risks

In the UK market, ECC faces a Delivery Risk as the TSO has the rights to reject ECC's nomination due to the local TSO's rules. Currently such a delivery risk is handled in the Limit exposure calculation in EPEX SPOT's Trading System EuroLight UK in a price-dependent approach. A percentage premium (30%) of the absolute price of orders/trades is reserved against the trading limit leading to high limit utilization – especially for auctions – where all possible price scenarios need to be considered.

As of **Trading Day 16<sup>th</sup> March 2017**, EPEX SPOT will change the exposure calculation in the limit system from the price-dependent approach to a price-independent approach. The percentage premium will be replaced by adding for each order/trade a new absolute delivery risk parameter multiplied with the corresponding volume to the exposure calculation.

**For buy orders and trades, the new delivery risk parameter is initially set to 0 £/MWh for all market segments.**

**For sell orders and trades**, the new delivery risk parameter is initially set for the UK hourly day-ahead auction to 123 £/MWh and for the UK continuous market and half-hour auction to 128 £/MWh.

## Preparation and Go-Live Procedure

### Exposure Simulation and Reporting

EPEX SPOT has run a simulation of historic trading behaviours against the updated methodology in order to identify trading participants where limit updates are likely needed.

EPEX SPOT will approach the affected Trading Participants and ECC will approach respective Clearing Members to align on the necessity of limit changes and the values to be used from 31<sup>st</sup> January 2017 onwards.

For further questions, Trading Participants are requested to align with their Clearing Members, or alternatively contact their respective account manager at EPEX SPOT. Clearing Members are welcome to contact [limits@ecc.de](mailto:limits@ecc.de) in case of any additional questions on this matter.

### Go-Live Procedure

The described changes will be implemented by EPEX SPOT in EuroLight UK after the booking cut of **Wednesday, 15<sup>th</sup> March 2017** 16:00 CET and effective immediately thereafter.

Clearing Members requiring an update to Trading Limits can choose to perform these changes individually via SMSS self-service on the afternoon of **15<sup>th</sup> March 2017** or send the necessary changes in advance to ECC. ECC will coordinate the setting of revised limits with the application of the changes by EPEX SPOT free of charge.

Please contact [limits@ecc.de](mailto:limits@ecc.de) if you wish to make use of this on-behalf procedure.