INSTRUCTION B15/2013

Special Conditions of FTR Contracts

13.May.2016

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Modification of the Service provided by OMIClear from "MIBEL Derivatives Market" to "Service on Power Derivatives Contracts".

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OMIClear approves this Instruction which sets the special conditions relating to the registration, clearing and settlement of financial transmission rights of electricity between two transmission networks, hereinafter referred to as FTR Contracts (Financial Transmission Rights). under its Service on Power Derivatives Contracts.

These special conditions are also subject to the current MIBEL legal and regulatory framework regarding the allocation of electricity transmission rights in the interconnection Portugal-Spain, and in particular the Manual of Procedures on the Mechanism for the Joint Management of the Interconnection Portugal – Spain, of December 2013, of ERSE, and its counterpart Instruction of the Comisión Nacional de los Mercados y la Competencia, which define how the capacity rights will be allocated in the interconnection Portugal-Spain, including the products to be provided to the agents.

Scope and framework

1. The special conditions define the conditions under which registration, clearing, central counterpart and settlement of financial transmission rights will be provided between two transmission networks, hereinafter referred to as FTR Contracts.

2. These special conditions are supplemented by General Contractual Clauses (GCC) specific to each Contract.

3. In accordance with paragraph 1, OMIClear ensures:

   a) The registration of sales and purchase transactions of FTR Contracts resulting from auctions or bilateral transactions, taking on the role of central counterpart and ensuring the clearing and financial settlement thereof, as provided in the GCC;

   b) The registration of transfers between registration accounts of the same holder;

   c) The settlement of Transactions in case of *Force Majeure* situations, as provided in the GCC.

Definitions

4. In this Instruction, as well as in the GCC of FTR Contracts, unless another meaning is otherwise provided, the terms, acronyms and expressions contained herein which begin with capital letters, listed below, have the following meaning:

   Issuers – Transmission System Operators (TSO), representing their electrical systems as net sellers of FTR Contracts.

   Force Majeure – special situations established and disclosed by the Regulatory authorities of the Energy sectors to which the FTR relate, in particular as set out in the Manual of Procedures on the Mechanism for the Joint Management of the Interconnection Portugal – Spain, of December 2013, of ERSE, and of the counterpart Instruction of Comisión Nacional de los Mercados y la Competencia.

   Transmission System Operator (TSO) – Entity responsible for the management and operation of an electricity transmission system.

5. The terms and expressions used in the rules referred to in the preceding paragraph that begin with a capital letter, not included in the preceding paragraph, have the meaning set forth in the OMIClear Rulebook or in a special OMIClear Instruction.

6. Unless the context requires otherwise, the terms and expressions defined in the preceding paragraphs of this Clause in the singular or plural may be used, respectively, in the plural or in the singular, with the corresponding change in meaning.

7. Unless specified otherwise, any reference made to a clause or an annex will be understood as having been made to a clause or annex of these General Conditions.

FTR Contracts

8. FTR Contracts are of the Option type. Since their exercise price is null, unless provided otherwise in this Instruction, the definitions applicable to Swap Contracts will apply to the FTR Contracts.

9. The GCC must describe at least the following information on the FTR Contracts:

   a) The index underlying the Contracts;

   b) The par value of each Contract;

   c) Maturity;

   d) The form of quotation, Tick and value of Tick;

   e) The type of trading and/or registration;

   f) The trading or registration period;

   g) The delivery or settlement period;

   h) The clearing and settlement forms;

   i) The type of settlement at maturity;

   j) The existence of Force Majeure clauses and their consequences;

   k) Anything else that supplements or specifies this Instruction.

10. Without prejudice to other maturities included in the GCC, the following maturities are defined for the FTR Contracts:

    a) Month;

    b) Quarter;

    c) Annual.

Participants in FTR Contracts

11. All Participants in OMIClear's Service on Power Derivatives Contracts which are identified in OMIClear's Instruction B01/2014 can trade in FTR Contracts, subject to the following exceptions and circumstances:

    a) The TSO, hereinafter referred to as Issuers:

       (i) Representing their electrical systems;

       (ii) Acting for their own account;

       (iii) Holding only selling Positions in each FTR Contract.

    b) The remaining Registration Agents, hereinafter also referred to as Agents, can only hold net buying Positions in each Contract;

    c) In the case of FTR Contracts, the use of a Financial Settlement Agent's services may be waived if the Clearing Member uses the recourse financial settlement described in paragraph 14.

12. OMIClear can determine special access conditions for Participants wanting to trade solely in FTR Contracts.

Financial Settlement of Contracts

13. The Delivery Settlement Value (DSV) of FTR Contracts is calculated, on each day of the Delivery Period and for each Transaction, as follows:

$$DSV_d = (IFTR_d - TP) * QC * H_d$$

Where:

DSV_d – daily settlement value in the Delivery period on day d, between buyer and seller; this value can be either positive (buyer's credit) or negative (seller's credit);

$IFTR_d$ – monetary value of the reference index on day d, as provided for in the GCC;

TP – Transaction Price;

QC – quantity of Contracts involved;

H_d – number of hours of day d (23, 24 or 25).

14. The financial settlement follows the provisions defined for Swap Contracts, and the Clearing Members that do not use the services of a Financial Settlement Agent can adopt the following alternative or recourse procedures:

   a) On the first Clearing Day of each month (M), OMIClear informs the Clearing members with outstanding balances (negative) referring to all settlements relating to FTR Contract Transactions with date of delivery of the previous month anterior (M-1).

   b) Until the 9th Clearing Day of that month (M), Clearing members with outstanding balances (negative) must ensure the transfer of cash to OMIClear's TARGET2 account, using a contingency settlement model, under OMIClear Rules, in accordance with Annex I.

   c) On the 10th Clearing Day of that month (M), OMIClear credits the bank accounts of the Clearing Members specified in their admission-to-service form, in accordance to Annex I attached hereto.

Force Majeure

15. When a regulatory authority of the energy sector declares a situation of *Force Majeure*, an extraordinary financial settlement will take place as provided in the GCC.

16. Without prejudice to the rights and obligations of all Participants in OMIClear's Service on Power Derivatives Contracts, the Registration Agents and their Clearing Members are required to accept, within the strict sphere of the service provided by OMIClear, the extraordinary settlement due to a situation of *Force Majeure*, if provided for in the GCC.

17. Under the two preceding paragraphs:

   a) OMIClear is required to make the said settlement under the conditions set forth in this Instruction;

   b) Any disagreement regarding the declaration of a *Force Majeure* situation will be settled between the Participant and the authority issuing the said declaration in accordance with the law in force, and OMIClear will not be held responsible in this process.

18. The extraordinary settlement due to a situation of *Force Majeure* may relate to any set of hours of one or various days of an FTR Contract that has not yet been delivered.

19. Unless expressed in different terms in the GCC, the value of the extraordinary settlement referred to in the preceding paragraphs is calculated, for each hour subject to the settlement, as follows:

$$SVFM_h = (TP - IFTR_h) * QC$$

Where:

$SVFM_h$ – value of extraordinary financial settlement due to a situation of *Force Majeure* relating to hour h, between buyer and seller; this value can be either positive (seller's credit) or negative (buyer's credit);

$IFTR_h$ – monetary value of the reference index at hour h, as provided for in the GCC;

TP – Transaction Price;

QC – quantity of Contracts involved;

20. An extraordinary settlement due to a situation of *Force Majeure*, even if affecting all hours of a given Contract does not change the Positions originally registered inn FTR Contracts:

    a) Generating a purely financial transaction;

    b) Being jointly settled in the same ways as the days of the Contract whose hours were subject to the settlement.

21. The procedure for activating an extraordinary settlement due to a situation of *Force Majeure* consists of the following phases:

    a) The Issuer informs OMIClear pursuant to paragraph 22;

    b) OMIClear informs the OMIP Derivatives Market and the Clearing Members and the Registration Agents involved;

    c) OMIClear registers the settlement transactions;

    d) Settlement.

22. Pursuant to paragraph 21(a) the communication must:

    a) Include the document from the regulatory authority declaring the situation of *Force Majeure*;

    b) Include the document in Annex II, signed by an Operational Manager of the Issuer, stating:

        (i)   The number of Contracts subject to extraordinary settlement under *Force Majeure*;

        (ii) For each Contract, the days and hours subject to an extraordinary settlement due to a situation of *Force Majeure*.

23. The communication referred to in the preceding paragraph will only be considered valid after its descriptive information is completed and OMIClear notifies the Issuer that it has been accepted.

24. The Allocation of amounts settled by each Clearing Member is done by OMIClear on a pro-rata basis of the Positions opened by their Registration Agents in the Contract at the time of notification.

25. Pursuant to paragraph 21(b), OMIClear notifies the Clearing Members subject to extraordinary settlement due to a situation of *Force Majeure* by sending the Model shown in Annex II by fax or e-mail to at least one of the Operational Managers concerned.

26. Once the Clearing Members have been notified, as described in the preceding paragraph, OMIClear registers the extraordinary settlement due to a situation of *Force Majeure* in a Registration Account containing the Positions subject to settlement, following the steps below:

    a) The value of the extraordinary settlement is registered at its global value (SVFM) in a financial instrument for each month;

    b) This registration generates, at an initial stage, a liability of the Clearing Member, to the value of the SVFM, in terms of Settlement Margin, and in the subsequent month this amount is transferred to the Billing Margin.

27. Upon receiving the communication referred to in paragraph 21(a) and paragraph 23, affecting a given Contract still in the Registration Period, at that moment OMIClear suspends the acceptance of buying, selling and transfer Transactions on that Contract until the extraordinary settlement due to a situation of *Force Majeure* is fully registered.

28. Pursuant to the preceding paragraph, buying and selling transactions already registered with OMIClear before the said communication can be completed by the Participants involved therein.

Margins and Guarantees

29. Margins are payable for the Positions held by Clearing Members in FTR Contracts, on the same terms as those applicable to Swap Contracts, with the following reservations:

    a) The Initial Margin is null;

    b) During the Registration Period, for the purpose of calculating the Variation Margin, the Clearing Reference Price is null, therefore the Margin value equals the Transaction price.

30. The preceding provision also applies to the days of an FTR Month Contract in delivery that has not been settled.

31. An Extraordinary Margin is also payable by the Clearing Member for the Positions assumed by an Issuer, having the following characteristics:

    a) Its purpose is to hedge the credit risk of those selling Positions, ultimately determined by the monetary value of the IFTR reference index over the settlement period;

    b) It is determined in order to hedge extreme but plausible situations;

    c)   It is reviewed on a daily basis over the life of the Contracts and reported by OMIClear to the Clearing Member concerned. If it entails an increase, the Clearing Member must step it up immediately.

32. For the purposes referred to in paragraph 31(b), OMIClear considers the worst historical sequence of the IFTR reference index, for the Positions assumed by the Issuer, consisting of the number of days corresponding to the maturity of Contracts, for the entire period on record representing the reference index underlying the said Contracts.

Fees

33. The OMIClear Price List will define the fees payable for the sales and purchase of Transactions of Contracts, as well as for other services properly identified. OMIClear may establish specific access and maintenance fees for Participants wanting to trade only in FTR Contracts.

Entry into Effect

34. This Instruction has been registered with CMVM on April, 26th 2016 and enters into effect on May, 13th 2016.

The Board of Directors

Annex I

OMIClear References and Procedures on the Alternative or Recourse Financial Settlement of FTR Contracts

1. On the 9th Clearing Day of each month payments made to OMIClear must be made via SWIFT messages of the MT202 or MT103 types by 11h00 CET, using the following references:

   a) BIC Code: OMICPTPLXXX

   b) IBAN: PT50815400000000000000064

   c) Additional information to be included in field 72: "LFTR" + "_" + " Code of the Registration Agent" + "_" + "MMMYY"

      - Example of the reference to fill in field 72 for a settlement made by a given bank on behalf of a Clearing Member with the ABC code for the month of March 2014: LFTR_ABC_MAR14

2. On the 10th Clearing Day OMIClear makes the payments by 17h00 CET to the banks of the Registration Agents with a credit balance by filling in field 72 with the same type of information referred to in paragraph 1(c) above.

Annex II

Extraordinary Settlement due to a Situation of *Force Majeure* of FTR Contracts

☐ Communication *(Issuer> OMIClear)*   ☐ Notification *(OMIClear > Participant)*

Issuer / Agent / Clearing Member: _____

Intended Date of Settlement: ___ / ___ / _____   Settlement Reference [1]: _____

Settlement Terms:

| FTR Contract | Day | | Hour | | Quantity |
	Start	End	Start	End	(MW)

(1) To be completed by OMIClear

Date: _____

Signature: _____