

# **Annex**

## **Risk Management, Collateral**

### **T&C - BGC**

V 12.00

## Document Management

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## **1 Collateral**

1. Every balance group representative (BGR) is liable to the balance group coordinator (BGC) and must deposit collateral to secure any delay in payment or default of its own, as well as for any delay in payment or default of other BGRs. Depositing the required collateral is a condition for obtaining a permit to operate as a BGR in the APG market area.
2. The BGR shall deposit collateral for its balance groups (BG) and agrees to keep the collateral on deposit until final settlement (2nd clearing) of its balance group(s).
3. The BGC or a third party it charges to act on its behalf shall monitor compliance with collateral requirements and manage the collateral.

## **2 Collateral Requirements**

1. The BGR must deposit collateral with the BGC in accordance with the following provisions.
2. The minimum collateral per balance group is EUR 100,000.
3. The collateral requirements for the BGR are determined on the following criteria:
  - (i) revenues of the BG assigned to the BGR pursuant to 2.1.,
  - (ii) past settlements with the BGC pursuant to 2.2.,
  - (iii) open positions of the BG assigned to it pursuant to 2.3.,
  - (iv) minimum collateral per balance group.

The largest amount resulting from the aforementioned processes is defined as the collateral requirement.

4. In departure from clause 3, power exchanges pursuant to T&C-BGC clause 7 are only required to deposit the minimum collateral of EUR 100,000 for their balance groups.
5. The collateral is made up of the basic collateral and the variable collateral. The basic collateral is part of the joint and several liability as set out in the table of collateral. The variable collateral may be reduced based on good creditworthiness.
6. Collateral must be deposited until final settlement for balance groups that are deactivated. A balance group is considered finally settled when clearing has been finalized for which all metered values and schedule data are available, and it is no longer possible to make changes to the data.
7. Collateral is released pursuant to clause 5.

## 2.1 Collateral requirement based on revenue

The following table is used to determine the requirements for the basic collateral and for the variable collateral per balance group:

Category	Annual trading volume (in MWh)		Collateral (in EUR)		
	from	to	Basic collateral	Variable collateral	Total
1	-	40,000	100,000	-	100,000
2	40,001	100,000	150,000	150,000	300,000
3	100,001	250,000	225,000	225,000	450,000
4	250,001	500,000	360,000	360,000	720,000
5	500,001	1,000,000	500,000	500,000	1,000,000
6	1,000,001	2,000,000	750,000	750,000	1,500,000
7	2,000,001	5,000,000	1,000,000	1,000,000	2,000,000
8	5,000,001	10,000,000	1,625,000	1,625,000	3,250,000
9	10,000,001	20,000,000	2,250,000	2,250,000	4,500,000
0	20,000,001	30,000,000	3,750,000	3,750,000	7,500,000
11	30,000,001	40,000,000	5,000,000	5,000,000	10,000,000
12	40,000,001	∞	7,500,000	7,500,000	15,000,000

After deactivation of a balance group, the collateral requirement according to the revenue-based collateral calculation for this balance group remains in effect for the six following months.

### Annual energy trading volume

The energy trading volume is the sum of energy delivered per schedule, imbalance energy delivered and consumption. This corresponds to the sum of energy purchased according to the schedule, energy generated and a balance group's procured imbalance energy.

The annual energy trading volume is determined on the basis of the values settled for the past twelve months. If the clearing data for the full 12 months is not yet available, the clearing data available is used to calculate projections for one year.

In the registration process, the annual energy trading volume is estimated by the BGC on the basis of the documents and data submitted for registration.

The BGC is authorized to define a higher annual energy trading volume at any time, basing such adjustment on the trading volumes observed.

### **Accounting for credit ratings**

The credit rating of a BGR is taken into account when calculating the amount of revenue-based variable collateral:

In the case of a credit rating higher than category 5 pursuant to the Annex "Credit Assessment", the BGC grants an amount (allowance) which reduces the variable collateral requirement. The allowance determined does not affect the amount of the basic collateral. For each credit rating category, 1.5% of own funds is used as a deduction amount. At the lowest credit rating category (5), it is 0%, and at the highest credit rating (1), it is at most 6%. However, the deductible allowance is never more than the variable collateral pursuant to the collateral table.

## **2.2 Collateral requirement based on past settlements**

The collateral requirement calculated on the basis of past settlements of imbalance energy is intended to cover invoice amounts of outstanding clearing periods (month settled but not yet collected and current month) as well as up to 15 future final settlements.

Therefore, the sums of the two calculations result in the collateral requirement based on past settlements.

- As long as the balance groups of the BGR are active, the collateral amount to be deposited shall be twice the highest observed balance of the BGR in the preceding twelve months settled in the 1st clearing.
- Moreover, for every final settlement not yet completed (2nd clearing), the average amount of the BGR's debits of the last twelve final settlements must be deposited as collateral. In any case, for these future final settlements, a collateral amount must be deposited that is not lower than 30% of the BGR's balance in the last 1st clearing.

Invoice balances are inclusive of fees and taxes shown on the applicable invoices.

## **2.3 Collateral requirement due to open positions**

Based on the schedule data available and the substitute values for metered data, the BGC determines the open positions per BG of the BGR for the respective periods not yet settled ("metering period") and assesses the open positions using measurement prices. Measurement prices and the basis on which they are determined are published on the website of APCS.

The open position per balance group is the difference between energy supplied per schedule and consumption, and the sum of energy purchased per schedule and generation.

As no complete metered values are available for the measurement period at the time of measurement, the BGC derives substitute values using a statistical method. The methods for arriving at

- substitute values, and
- for determining indicative prices

are published on the website of the BGC.

The BGR must deposit collateral which is at least equal in value to the aggregate value of open positions. For the calculation of the collateral, the preceding day's quarter-hourly debits are weighted by a factor of 4. Every deviation (open position) of the current day is included in the collateral calculation as a debit. The calculation of the collateral includes all schedule values until the end of the day on which the measurement is carried out and which are available at the time of measurement.

The open positions are determined per BG and, if a BGR has several BGs, these balances are included in the collateral requirement of the BGR.

When determining the value of open positions, debit transactions from settled delivery periods not yet received on the bank account of the BGC are included.

In the case of technical problems at the BGC or at the control area manager (CAM), the last value of the open position calculated shall be considered the collateral requirement for the open positions calculation.

After deactivation of a balance group, the open positions calculation is not used when determining collateral.

### **3 Type and Deposit of Collateral**

1. Every BGR domiciled in a member state of the European Union (EU) may deposit the following types of collateral:
    - a) Pledge agreement for monetary deposits in euro pursuant to the criteria of 3.2;
    - b) Pledge agreement for securities pursuant to the criteria of 3.3 and under the conditions of 3.4;
    - c) Bank guarantees pursuant to the criteria of 3.5;
    - d) Deposit of funds with the BGC pursuant to the criteria of clause 3.
  
  2. The BGC reserves the right to refuse acceptance of collateral from banks that do not have an investment-grade rating assigned by a rating agency (Moody's, Fitch, Standard & Poor's). The rating of relevance is the rating for the issuing bank itself and not for a banking group to which the issuing bank belongs.
  
  3. Pledge agreements for euro money deposits must meet the following criteria:
    - a) Euro money deposits must be callable daily to ensure their immediate realization at any time;
    - b) Euro money deposits must be deposited on accounts within the EU, hereinafter referred to as "deposit account";
    - c) The entire deposit account shall be pledged to the BGC as beneficiary, and the corresponding disclosures and transfers shall be verifiably executed.
    - d) It must also be ensured that the BGC or its agent can access the deposit account directly at any time on the basis of an irrevocable direct debit authorization.
    - e) The BGC must be able to inspect the deposit account at any time. To this end, the BGC or its agent must receive proof of the respective account balance (i) of any changes to the account balance, and (ii) upon request of the BGC or its agent, proof must be furnished in the form of account statements;
    - f) The pledge agreement shall conform to the specimen published by the BGC on its website at the time of issue;
    - g) Collateral shall be deemed to be deposited when the BGC has received a corresponding account statement from the account manager, and the required disclosure and transfers have been completed.
  
  4. Pledge agreements for securities must meet the following criteria:
    - a) Single-list securities admitted to trading on the Vienna Stock Exchange pursuant to the Guidelines of the European Central Bank;
    - b) The securities must comply with liquidity class L1A pursuant to the Guidelines of the European Central Bank (Link <https://mfi-assets.ecb.int/queryEa.htm>);
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- c) The nominal currency must be euro;
  - d) The securities to be deposited must have a remaining time to maturity of at least two years at any time during the deposit period;
  - e) The remaining time to maturity of the securities to be deposited may not exceed ten years at any time during the deposit period;
  - f) Own issues or issues of affiliated companies (as defined in § 15 Stock Corporation Act or § 115 Limited Liability Company Act) cannot be deposited as collateral;
  - g) Collateral shall be deemed deposited when the BGC has received the corresponding custody account statement from the custodian bank, the required disclosure and transfers have been completed, and the APCS has granted the corresponding approval for the depositing of the security pursuant to clause 3 4.
5. Approval of the deposit of securities is subject to the following conditions:
- a) In the case of collateral provided in the form of securities, 80% of the current market value is counted towards the collateral requirement;
  - b) The securities are deposited in a custody account, which is pledged to the BGC as beneficiary;
  - c) The BGC reserves the right to reject at any time certain securities and also issuers of securities, even if they meet the criteria set out in clause 3 3;
  - d) A security not accepted by the BGC as collateral shall be disregarded in the calculation of the collateral deposited.
6. Bank guarantees must meet the following criteria:
- a) Bank guarantees must be issued by an independent bank domiciled in the EU or Switzerland. Independence is not given if the guaranteeing bank owns a direct or indirect stake of more than 10% in the BGR or if the BGR owns a stake of more than 10% in the guaranteeing bank.
  - b) The remaining time to maturity of the bank guarantee shall be at least twenty-four months at all times during the deposit period.
  - c) The bank guarantee must conform to the specimen published on the BGC's website.
  - d) The BGC reserves the right to reject banks, even if they meet the criteria set out in clause 3 5;
  - e) Bank guarantees are deemed to have been deposited when the original has been received by OeKB acting as an agent for the BGC.
7. Deposit of cash funds with the BGC
- a) In the event the BGC is required to make a margin call in accordance with the provisions of the T&C-BGC and it is foreseeable that the BGR will not meet the deadlines for the deposit under the margin call, the BGC has the right to request the BGR to deposit cash into the margin call account of the BGC;
  - b) The cash deposit is considered deposited as soon as the corresponding amount is credited to the BGC's account;

- c) A cash deposit, which has been placed on the margin call account, will be released as soon as other types of collateral, in addition to the already existing collateral, have been deposited in an amount that covers the margin call.
  - d) The BGC's margin call account does not have the purpose of being used for the permanent deposit of collateral. The BGR is therefore under the obligation to deposit other types of collateral within a period of two months.
8. Approval of a securities deposit by a BGR domiciled in a country outside the EU is subject to the following conditions:
- a) In the case of collateral provided in the form of securities, 80% of the current market value is counted towards the collateral requirement;
  - b) The BGC reserves the right to reject certain securities and also issuers of securities, even if they meet the criteria set out in clause 3 3;
  - c) The BGC sets up a separate custody account for every BGR; this custody account is set up and managed by OeKB in the name of and for the account of the BGC.
  - d) The securities shall be deposited on the custody account exclusively in accordance with clause 3 8.c; other types of depositing are not permitted.
  - e) The BGC reserves the right to examine the securities in accordance with the principles of collateralization and realization at any time, and may reject securities pursuant to these criteria. If collateral is rejected, the BGC will immediately notify the BGR. A security not accepted by the BGC as collateral shall be disregarded in the calculation of the collateral deposited.
9. Margin call for collateral to secure recoverability
- The BGC has the right to demand the depositing of additional collateral if the value of the collateral no longer corresponds to the value at the time it was deposited or is insufficient or if there are justified doubts regarding its recoverability.

## **4 Consequences of a Shortfall**

The collateral required from the BGR is the highest of the values determined in accordance with clause 2.3.

If the sum of all collateral deposited is less than the collateral required, the difference shall be deemed a shortfall. The BGR must ensure that there is no shortfall in coverage.

The current collateral requirement can be viewed by the BGR in the login area of the APCS clearing platform. Every BGR is required to avoid shortfalls and to monitor the current collateral requirement on a daily basis. A collateral request submitted in writing by e-mail shall take precedence over the collateral request displayed in the clearing system.

- 1.) If a **shortfall** results **from the classification of collateral set out in the table** (pursuant to 2 2.1.) or **from past settlements** (pursuant to 2 2.2.), the BGR shall top up the collateral deposited to the required amount by 15:00 hrs of the fourth subsequent banking day. If the BGR fails to meet this obligation, the BGC will send a reminder to the BGR and grant a grace period of two banking days. Should this grace period expire unused, the BGC has the right to block the balance group of the BGR and to terminate the contract with the BGR.
  
- 2.) If the **shortfall** results **from an open positions** calculation, immediate action is required.  
The BGC shall have the right at its discretion as specified by law to block the BGR's balance groups temporarily with effect as of the close of the following day if the collateral required has not been deposited at the latest by 9:00 hrs of the following day. If such blocking is not imposed despite a shortfall, the situation will be continuously monitored, and if necessary, blocked on the next day by the same procedure.  
The blocking of schedule components shall be done either for the entire delivery or purchase side of balancing or for both sides, with preference being given to the least severe means by which future damage to third parties can be averted. As soon as the BGR has fulfilled its collateral obligations as required, the blocking of its balance groups will be released.  
After a period of four banking days has elapsed without effect, the BGC has the right, at its own discretion, to dissolve the contract with the BGR and subsequently implement a **final** blocking of the schedule components and/or balance groups.
  
- 3.) The blocking of a balance group will not be carried out if the probability of damage arising under joint and several liability is assessed by the BGC as low or if suitable technical or organizational measures can be taken to avert damage arising from the joint and several liability.  
When applying these criteria, particular attention must be paid to the interests of end customers in having an orderly and reliable supply of energy.
  
- 4.) The termination of the contract does not require the dissolution of the balance groups. A BG may only be dissolved when all members of the BG belong to other BGs, either because they have been accepted by them or because they have been assigned to them by E-Control pursuant to § 86 (5) ElWOG with legally binding effect.
  
- 5.) The BGC notifies all market participants, the CAM and the power exchanges of the point in time at which
  - the blocking of schedule components and/or balance groups takes effect,
  - the dissolution of the contract takes effect.
  
- 6.) In the event of a shortfall by the BGR, the BGC will withhold credit balances from the settlement of imbalance energy until the BGR has complied with the margin call for the collateral.

## **5 Release of Collateral**

### **Collateral release due to overcollateralization**

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If the sum of the collateral deposited is higher than the collateral required pursuant to the clearing platform, the difference shall be deemed excess cover. In the event of excess cover, the calculated excess value of the collateral may be released upon request of the BGR to the corresponding extent.

**Release of collateral after effective termination of a BGR's contract for BGRs without metering components:**

Upon the effective termination of a contract with the BGR, the balance groups of the BGR are deactivated. After deactivation of balance groups, open positions calculation is no longer used. However, the values in the collateral table, the collateral calculation based on past settlements, and the minimum collateral will continue to apply for six months.

After deactivation of the balance groups, only reductions in the collateral requirements will result and/or the collateral requirement will expire at the end of the 2nd clearing.

At the request of the BGR, the BGC may grant full release of the collateral for balance groups without active metering components within the last nine months before termination of the contractual relationship. This release is permitted at the earliest as of the seventh month after termination of the contractual relationship with the BGC.

**Release of collateral after termination of the contract of the BGR for BGRs with metering components:**

Upon the effective termination of the contract with the BGR and on the condition that the metering points have been assigned to other balance groups, the balance groups of the BGR will be deactivated. After deactivation of balance groups, open positions calculation is no longer used. However, the values in the collateral table continue to apply for six months, as well as the collateral calculation based on past settlements and the minimum collateral requirement until the close of the 2nd clearing.

After deactivation of the balance groups, only reductions in the collateral requirements will result and/or the collateral requirement will expire with the close of the 2nd clearing.

Collateral will be released only upon the request of the BGR and a positive review by the BGC.

## **6 Realization of Collateral**

If payment obligations are not met despite the BGR having been sent reminders and granted a grace period of two banking days, the BGC shall have the right to realize the collateral deposited. The realization is carried out in the following order:

- a) Basic and variable collateral of the BGR in default
- b) Basic collateral of all BGRs within the scope of joint and several liability pursuant to clause 6.6.1

## **6.1 Joint and several liability**

Under joint and several liability, BGRs with active balance groups are liable with the basic collateral defined for these balance groups in the collateral table for payment defaults of a third-party BGR.

The BGR's liability under joint and several liability is limited to the amount of the outstanding receivables and any other outstanding claims expected from the settlement of imbalance energy with the BGR in default. For the proportionate allocation of the open receivables in cases of joint and several liability, the basic collateral of the BGR with active balance groups according to the collateral table at the time of the payment default shall apply, with default being deemed given after a reminder has been sent and a grace period of two banking days has expired without result.

The liability amount of the liable BGR within the scope of joint and several liability is calculated as a percentage share in the outstanding amount of the receivables. The percentage applicable to every liable BGR is determined by the share of the required basic collateral of the active balance group of the liable BGR in the sum of the required basic collateral of the active balance groups of all BRGs.

Prior to the realization of the collateral, the BGC will request the liable BGR to transfer the cover pool contributions to an account of the BGC. If the transfer is not completed by the defined deadline, the BGC has the right to realize the basic collateral.

Pursuant to § 1358 Austrian Civil Code (ABGB), the claim against the defaulting market participant shall transfer to the BGR who is liable under joint and several liability in the amount of the contribution to the cover pool. The BGC is authorized to offer the liable BGR collection services as a third-party against the defaulting market participant. In order for the BGC to collect the claim as a third party, the liable BGR must send an assignment agreement to the BGC. A specimen of this agreement is made available to the BGC for such cases.

If a defaulting BGR makes payments after the basic collateral of all BGRs has been used, the percentage shares of the basic collateral are returned to the liable BGRs up to the amount of the payments made.

## **6.2 Topping up collateral**

If the collateral provided by the BGR is used by the BGC or a party it has commissioned with the task of covering outstanding claims or for making the contribution to the cover pool under joint and several liability, the BGR must top up the basic and variable collateral to the required amounts within four banking days.