



Risk Management

Workshop Risk Management

03.12.2015

Introduction

Concept

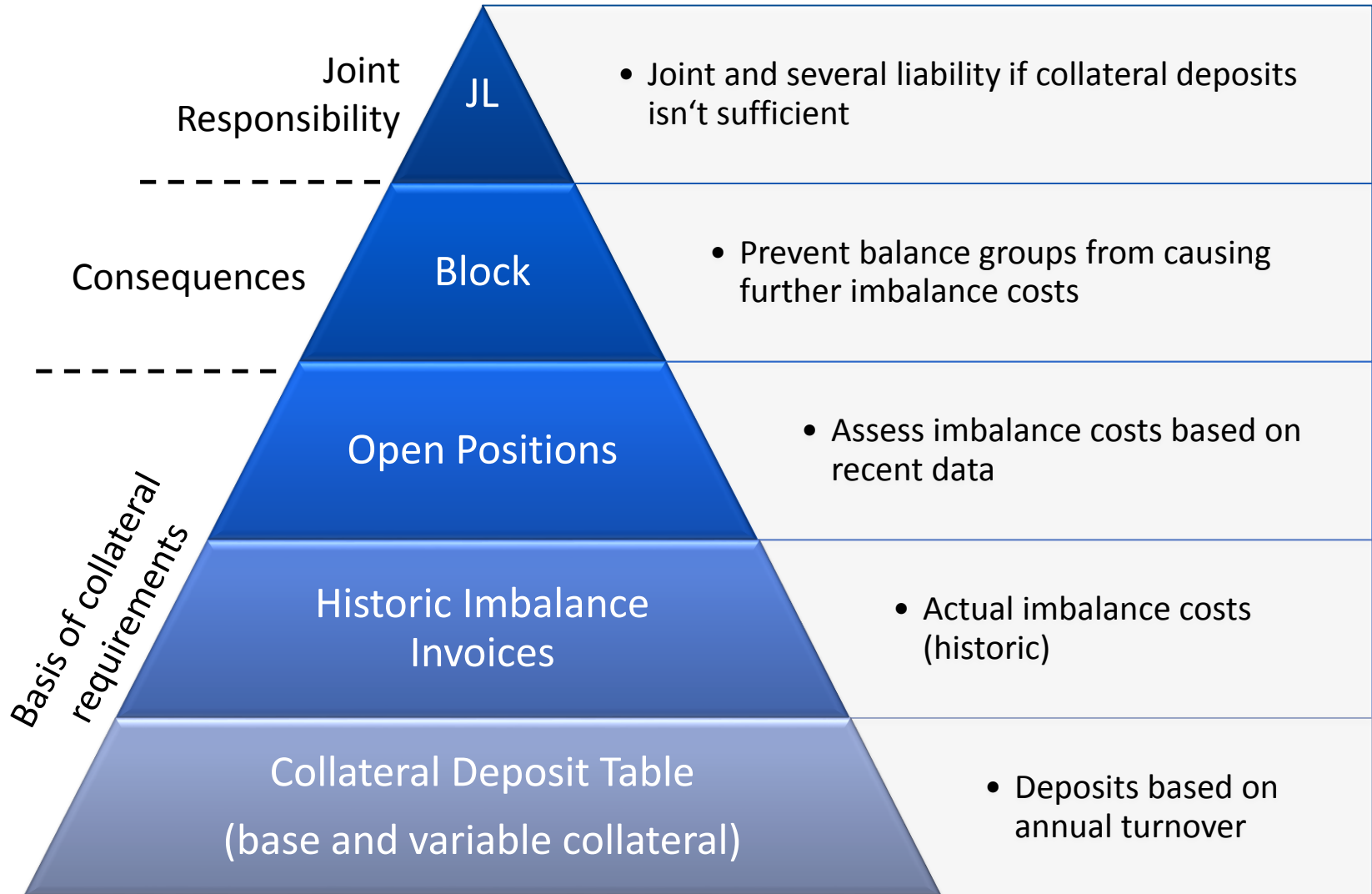
Details

- Collateral requirements
- Consequences
- Joint and several liability
- Execution
- Calculations

Introduction

- Stronger weighting on a balance groups recent situation
- Ability to block balance groups
- Increased influence of credit rating on collateral deposits
- Keep total amount of collateral deposits approximately on the same level
- Retain joint and several liability
- Reduce probability of joint and several liability incidences

Concept



Determine required collateral

AFTER CLEARING

based on collateral deposit table

Base collateral

Variable collateral

based on historic imbalance invoices

Imbalance settlement 1. CL

Imbalance settlement 2. CL

DAILY

based on open positions 1-4-1

Open Position Evaluation

Warnings

The collateral requirements for the balance group representatives (BGR) are defined for each balance group based on

- (i) the turnover of the balance groups (BG) assigned to the balance group representative (BGR) pursuant to 2.1.,
- (ii) its past clearing turnover with the BGC pursuant to 2.2.,
- (i) the open positions of the balance groups (BG) assigned to it pursuant to 2.3.

The highest amount that results from the abovementioned procedures is determined as the collateral requirement. The minimum collateral per balance group is EUR 50,000.

monthly

Deductible

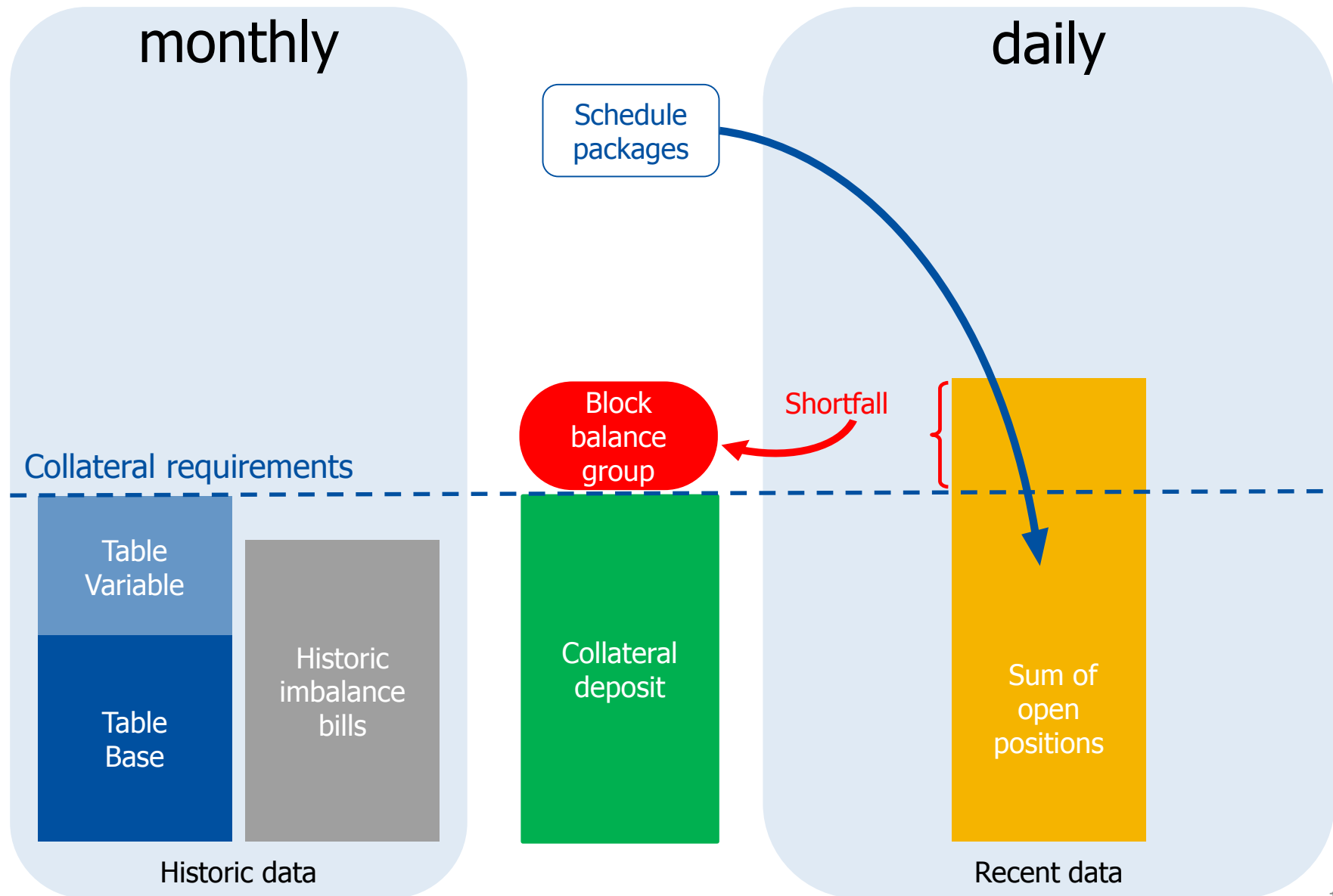
Table
Variable

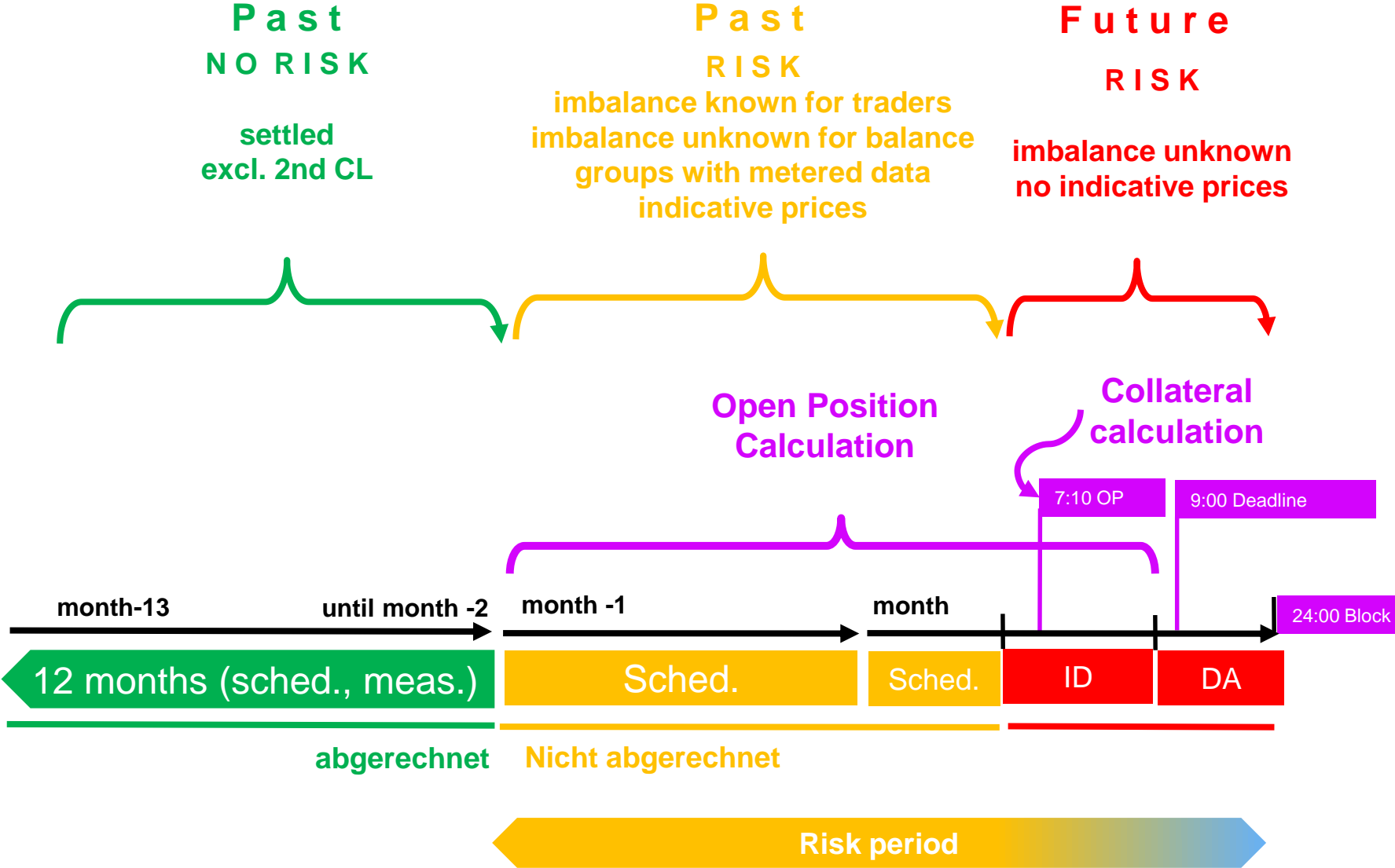
Table
Base

Historic
imbalance
bills

Historic data

Illustration: collateral





Details – Collateral requirements

Table: Collateral NEW

- Additional levels to avoid large steps
- Weighting base/variable from 60/40 to 50/50

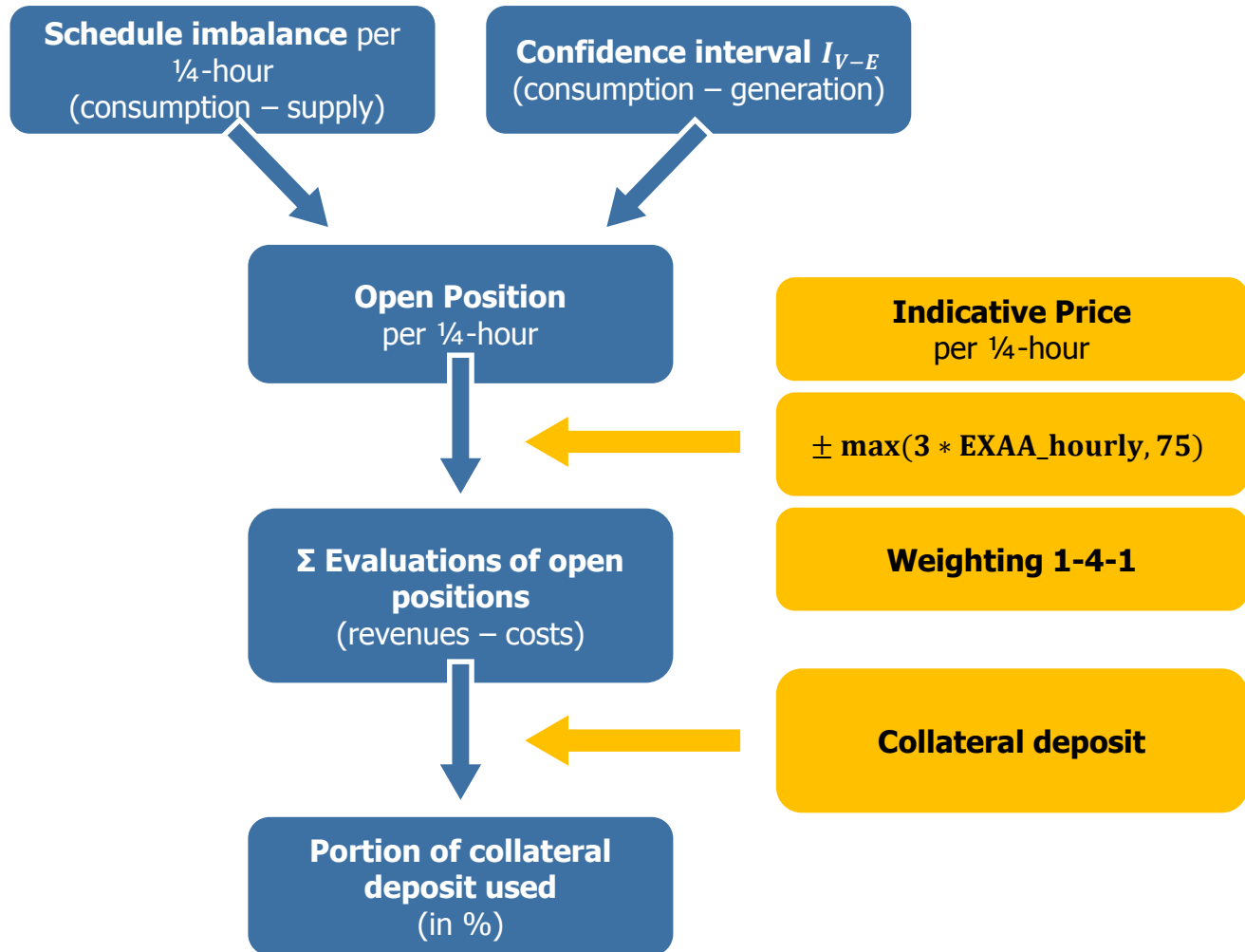
Category	Annual turnover [MWh]		Collateral		total
	from	til	base	variable	
1	-	30 000	50 000.00 €	- €	50 000.00 €
2	30 001	60 000	60 000.00 €	60 000.00 €	120 000.00 €
3	60 001	125 000	140 000.00 €	140 000.00 €	280 000.00 €
4	125 001	250 000	225 000.00 €	225 000.00 €	450 000.00 €
5	250 001	500 000	360 000.00 €	360 000.00 €	720 000.00 €
6	500 001	1 000 000	500 000.00 €	500 000.00 €	1 000 000.00 €
7	1 000 001	2 000 000	750 000.00 €	750 000.00 €	1 500 000.00 €
8	2 000 001	5 000 000	1 000 000.00 €	1 000 000.00 €	2 000 000.00 €
9	5 000 001	10 000 000	1 625 000.00 €	1 625 000.00 €	3 250 000.00 €
10	10 000 001	20 000 000	2 250 000.00 €	2 250 000.00 €	4 500 000.00 €
11	20 000 001	30 000 000	3 750 000.00 €	3 750 000.00 €	7 500 000.00 €
12	30 000 001	40 000 000	5 000 000.00 €	5 000 000.00 €	10 000 000.00 €
13	40 000 001		7 500 000.00 €	7 500 000.00 €	15 000 000.00 €

- ◡ Replaces balance profile calculations

- ◡ Collateral requirements based on historic invoices equals maximum of:
 - Double of largest settlement balance from the last 12 first clearing invoice

 - For each non-settled final invoice: double of largest settlement balance before deactivation, but not more than collateral requirements were at deactivationincluding fees and taxes.

Open Position Evaluation



Details – Consequences

Shortfall due to

Immediate action
needed

Clearing

Stock up within two days

Reminder period: 4 workdays

Contract termination

Open Position Calculation

If consumption < 200.000 MWh

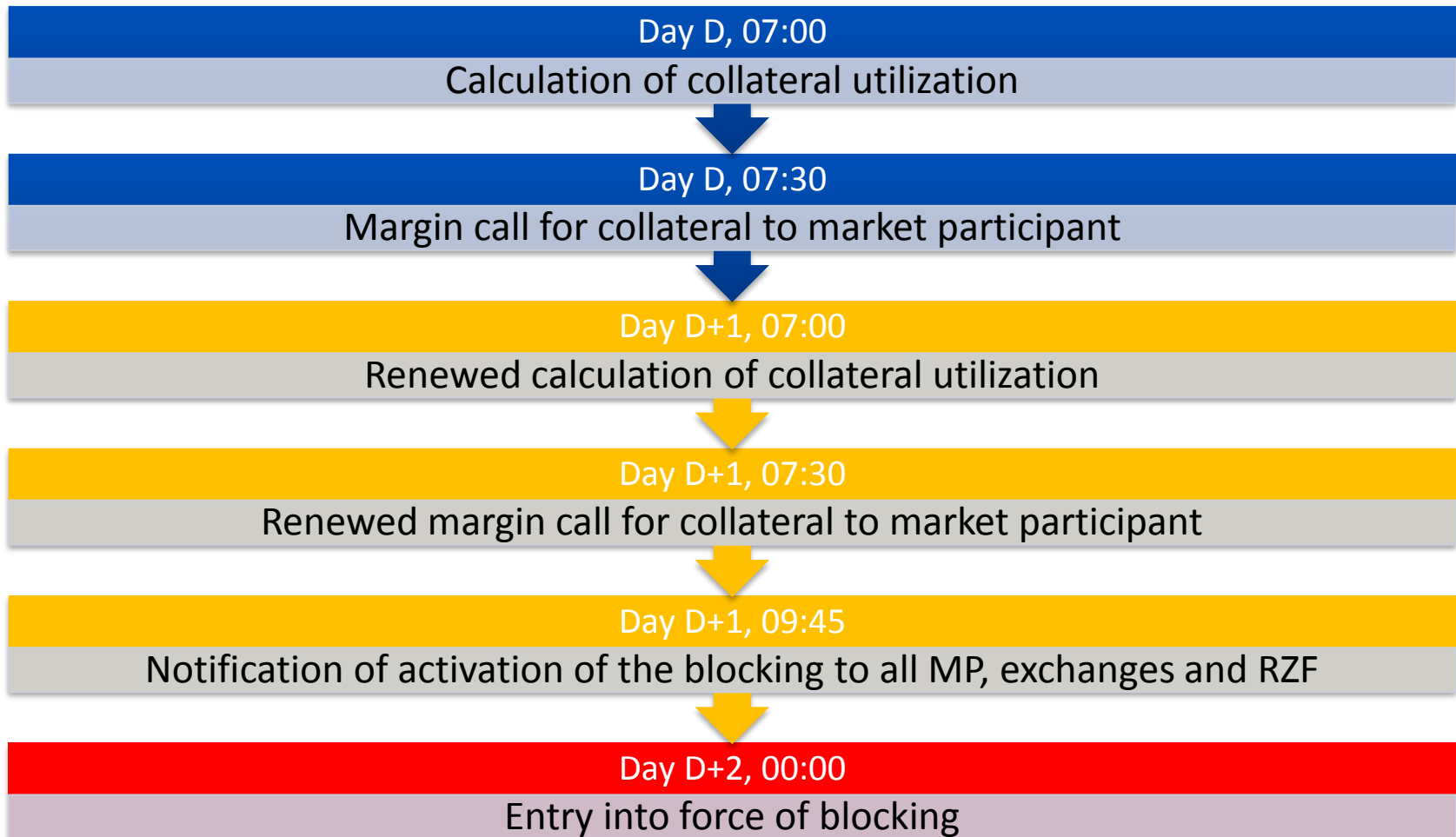
Stock up until 9:00 on next workday

Block at the end of next workday

If consumption > 200.000 MWh

Contract termination after 4 days

Block after consultation with ECA



In case collateral requirements are met → **Block will not be enforced / will be lifted.**

Details – Joint and several liability

- Rules for joint and several liability persists
- Incidents of joint and several liability can still occur
- No model covers 100% risk
- New risk management will limit the extent of possible damage immensely

Details - Implementation

- ☞ Communication with market participants
- ☞ Changing AB-BKO
- ☞ Changing other market regulations
- ☞ Establish data exchange BKO/RZF
- ☞ IT specifications/development
- ☞ Testing phase (IT, operational)

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