

Settlement and Clearing Rules

Trading Rules – Appendix 5

Albanian Power Exchange

1. INTRODUCTION

- 1.1.1 These Rules apply to the Settlement and Clearing of Products in the Albanian Day Ahead Market.
- 1.1.2 Clearing is initiated by Albanian Power Exchange entering into a Transaction as central counterparty and registering the Transaction on the Clearing Accounts of the Account Holders involved.
- 1.1.3 Clearing is subject to the fees set out in the Fee Schedule.
- 1.1.4 These Rules constitute a contract between Albanian Power Exchange and each Account Holder in respect of Clearing and supplement the relevant Member Agreements and the Trading Rules – General Terms.

2. PREREQUISITES FOR CLEARING

2.1 Membership Categories and Requirements

- 2.1.1 Only legal entities may apply for membership. Albanian Power Exchange may under special circumstances and in its sole discretion deviate from this requirement.
- 2.1.2 A prospective member must upon request from Albanian Power Exchange be able to document that it possesses all Required Authorisations for its applicable membership category.

2.2 Counterparty Eligibility

- 2.2.1 Only Members are eligible as Counterparties to Albanian Power Exchange in Clearing Transactions. To be eligible as a Counterparty to Clearing Transactions, the Member must at the time that each Clearing Transaction is registered:
 - a. have appointed a clearing responsible;
 - b. have established one or more Trading Portfolio(s)
 - c. have established one or more Cash Account(s) for settlement purposes to be either a Pledged or Non-pledged Cash Account;
 - d. have established one or more Clearing Account(s);
 - e. have established Collateral as a Pledged Cash Account or an On-Demand Guarantee, and have met its Collateral Call; and
 - f. not having access to suspended or terminated Clearings in accordance with the Market Rules.
- 2.2.2 Members must at all times, and immediately upon request from Albanian Power Exchange, be able to document that they fulfil the criteria of article 2.2 of this regulation.

2.3 Continuous Information Obligations of Members

- 2.3.1 Albanian Power Exchange may at any time request for and obtain credit information and otherwise monitor a Member's financial standing and soundness, level of competence and other matters relevant (in the opinion of Albanian Power Exchange) to the financial and legal status of the Member, including Required Authorisations. Each Member agrees promptly to provide such information and documents as Albanian

Power Exchange may request, and to request any other party holding such information or documents on behalf of the Member to release such information or documents.

- 2.3.2 Albanian Power Exchange may, without being prevented by any duty of confidentiality by any holder of information, request for and obtain such information and documents (where available) from the Member's bank(s) or other sources of relevant information as Albanian Power Exchange considers appropriate. The Member shall promptly ensure any additional required information to be provided to Albanian Power Exchange.
- 2.3.3 A Member shall immediately notify Albanian Power Exchange in writing as soon as the Member becomes aware of or finds it likely that any of the following events will occur in relation to it:
- a. any Non-Compliance Event with the Market Rules or disciplinary, criminal, or regulatory proceedings related to Trading and Clearing activities involving the Member or its board of directors or employees involved in its Clearing with Albanian Power Exchange;
 - b. any other matter relating to it of which a Member acting in good faith would reasonably expect to be of interest to Albanian Power Exchange in relation to Clearing and its position as a Member.

3. ACCOUNT STRUCTURE

3.1 Trading Portfolio

- 3.1.1 Each Member is granted Trading Portfolio(s) for the Albanian Day Ahead Market in accordance with their Participant or Customer Agreement.
- 3.1.2 Transactions carried through the Trading Portfolio(s) are transferred to the corresponding Clearing Account(s).

3.2 Clearing Accounts

- 3.2.1 When approving a Member, Albanian Power Exchange shall establish at least one (1) Clearing Account with the Member.
- 3.2.2 Each Clearing Account is associated with one or more Trading Portfolios of the Member, and is furthermore associated with one or more Cash Accounts.
- 3.2.3 Collateral Calls and Cash Settlement Amounts will be calculated separately for each Clearing Account.

3.3 Cash Accounts

- 3.3.1 Each Member must at its own cost establish and maintain at least one Cash Account in an Albanian Power Exchange approved settlement bank and in a currency approved by Albanian Power Exchange.

4. CLEARING PROCEDURES

4.1 Transactions Concluded on the Albanian Day Ahead Market

- 4.1.1 Transactions concluded on the Albanian Day Ahead Market are automatically and mandatory subject to Clearing in accordance with the applicable Market Rules.
- 4.1.2 Upon the conclusion of a Transaction, the result will be allocated to the applicable Clearing Account.
- 4.1.3 The Members are under an obligation to deliver or off-take the Delivery Amounts specified. Non-delivery or non-off-take is to be settled with the relevant Balance Responsible Party or Transmission System Operator in accordance with applicable rules, with no liability for Albanian Power Exchange.
- 4.1.4 Cash Settlement will be based on the Transactions recorded with Albanian Power Exchange only, and will not reflect non-delivery or non-off-take.

4.2 Cash Settlement

- 4.2.1 Albanian Power Exchange will provide information about each Member's Clearing Account(s), including information about Cash Settlement and Collateral.
- 4.2.2 For each Clearing Day, Albanian Power Exchange will make available statements relating to Transactions and indicating the net amount per Trading Portfolio since the previous Clearing Day at such time as set out in the Clearing Schedule. These statements form the basis for the Cash Settlements falling due on that Clearing Day.
- 4.2.3 Albanian Power Exchange issues invoices only for the Members according to Section 4.2.2 of this Appendix. In addition, the Members will be charged for the variable fees as set out in the Fee Schedule. The statements shall be issued in the same trading Currency as the Order. Albanian Power Exchange shall forward the invoices to a Member in written form by e-mail to the address stated in the Membership Agreement.
- 4.2.4 The invoice falls due the first Clearing Day following the invoice day. The amount due shall be available on the Members Cash Account within 11:00 am on the date of payment with value date equal to the due date, and in the relevant Trading Currency.
- 4.2.5 Amounts provided in the invoice shall be deposited on the Members Cash Account with **value date**, at the latest, on the second Clearing Day following invoice day and in the relevant Trading Currency.

4.3 Collateral Requirements

- 4.3.1 Each Member must at its own cost establish and maintain Collateral in accordance with the Clearing Rules, and ensure that the value of its Collateral posted at all times meets the applicable Collateral Calls.
- 4.3.2 Members may choose to provide Collateral through one or a combination of following forms
 - i. Cash deposited in the Cash Account(s)
 - ii. Bank Guarantee accepted by Albanian Power Exchange

- 4.3.3 The Collaterals which have been deposited by Members are used as collateral for all the obligations of the Member towards Albanian Power Exchange arising from Member's activities on the Albanian Day Ahead Market and from its membership. Collaterals refer to all contractual or non-contractual obligations which may arise from Members, including the payment of due price for Products, Trading Fees, Statutory Interest Rate applicable to monetary obligations, as well as all indemnities owed to Albanian Power Exchange, including those arising from damages or expenses incurred by Albanian Power Exchange because of third parties' claims, VAT, customs or cross-border capacity.
- 4.3.4 Albanian Power Exchange require minimum collateral from all Members. The minimum collateral call can be adjusted at Albanian Power Exchange's discretion. The minimum Collateral must be established prior to the commencement of trading. The collateral call can be set individually, according to Member category or for all Members.
- 4.3.5 Albanian Power Exchange shall stipulate the Collateral Calls for new Members, based on, inter alia, anticipated future net purchase.
- 4.3.6 Collateral Calls are stipulated by Albanian Power Exchange each Clearing Day as the total purchase price for each Member in the electricity market during a period of days decided by Albanian Power Exchange, including VAT. The period can be changed with two days notice in the form of an Exchange Information.
- 4.3.7 If a Member changes from net sale to net purchase, for the first such day, the Collateral Call is stipulated as net electricity purchase on the first day multiplied with a number of days, as set out by Albanian Power Exchange. If the Member continues as a net purchaser, the Collateral Call shall be adjusted daily during the number of days set out by Albanian Power Exchange and thereafter stipulated on ordinary terms. If the Member returns to a net sale position, the Collateral Call shall be reduced daily until the minimum amount is re-obtained.
- 4.3.8 The Collateral Call is stipulated for each Trading Currency. A Member operating with more than one Trading Currency shall state the currency applicable for the Collateral.
- 4.3.9 Albanian Power Exchange may on its own discretion adjust the Collateral Call if the Members Trading change, or if special circumstances so require.
- 4.3.10 A Participant shall be notified of any Collateral Calls within 09:00 CET each Clearing Day. Collateral Call must be met within 11:00 CET on the same Clearing Day.
- 4.3.11 A Member operating with more than one Trading Currency must agree with Albanian Power Exchange on a Collateral Currency and will have all its Collateral Calls calculated and presented in such Collateral Currency following, where relevant, the application by Albanian Power Exchange of such reasonable currency exchange rates as Albanian Power Exchange considers appropriate.
- 4.3.12 Extraordinary Collateral may be required to be posted within one (1) hour after the Member receives notification, of the extraordinary Collateral call, in the form of Cash Collateral, or by otherwise increasing the Collateral provided by or on behalf of the Member by the same deadline. Albanian Power Exchange may also, in its sole discretion, apply any other risk calculation procedure that the Albanian Power Exchange

considers appropriate under the relevant circumstances. The collateral call can be set individually, according to Member category or for all Members.

5. TAX AND VAT

5.1 VAT shall be applied to all Members registered in Albania (residents), and namely:

- i. To all amounts due as a result of concluded Transactions,
- ii. In calculating required Collaterals.

5.2 For Members registered outside of the Albania (non-residents), payment of all taxes, VAT included, shall be an obligation of the respective Member in accordance with Applicable Law in the country of registration.

5.3 Albanian Power Exchange is not liable for any sort of VAT indemnification towards Members.

6. VIOLATION OF THE RULES

6.1 Any violation of these Clearing and Settlement Rules (including any non-payment of due amounts owed by the Member to the Albanian Power Exchange) shall be considered as Non-Compliance Event or Essential Non-Compliance Event (as the case may be) as defined by Section 9 of the Trading Rules – General Terms.

6.2 Albanian Power Exchange, in the conditions of a Non-Compliance Event shall:

- a. declare any or all claims of or against the defaulting Member due on that date;
- b. withhold any Cash Settlement Amount owed to the Member
- c. enforce, realise and apply its rights in the Collateral posted by or on behalf of the Member by either; (i) drawing upon Bank Guarantees provided to Albanian Power Exchange by or on behalf of the Member, (ii) drawing upon the balance of the Pledged Cash Accounts provided to Albanian Power Exchange by or on behalf of the Member