

Procedure in the Event of Member Default

Electricity Spot Market

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Introduction

This document describes the procedures that apply in the event of default of a clearing member on the electricity spot market.

The clearing members are obliged to meet the obligations resulting from their exchange membership and their participation in the clearing system and from their transactions including any taxes and fees. Amongst others, the clearing members are obliged to deposit clearing collateral and to make contributions to the default fund in a timely manner.

A default occurs if a clearing member fails to meet its financial and other obligations resulting from the Exchange and clearing membership or fails to provide required collateral or default fund contributions within defined time frames.

CCPA takes prompt action to contain losses and mitigate the liquidity risks resulting from default events by immediately suspending the defaulting member from clearing and by using provided collateral.

The consequences of a failure to fulfil the obligations are described in the subsequent sections, which constitute a comprehensible and practical guidance for clearing members and are based on the provisions of in the *General Terms and Conditions Spot Market Products in Electric Energy* of CCPA (hereinafter *GTC*). In the event of a conflict between this document and the *GTC* of CCPA, the provisions of the *GTC* of CCPA shall prevail.

1 Definition and occurrence of default (§ 29 GTC)

This chapter describes the individual types of possible default that may occur and how CCPA deals with them.

Clearing members are declared in default by means of an electronic or written specified notice of CCPA.

1.1 Default on payment

CCPA declares a clearing member in default on payment according to § 29 para. 1 lit. a GTC if its cash settlement account with the account-holding bank does not have sufficient funds at the beginning of the settlement day (8.00 a.m. CET) for the fulfilment of its payment obligations resulting from electricity spot transactions, fees and taxes.

1.2 Default on collateral

A default on collateral of a clearing member is deemed given if the clearing member:

- ◆ Fails to cover an unconditional margin call within the time limit specified pursuant to § 25 GTC or
- ◆ Fails to comply with an order to change the composition of the clearing collateral within the time limit set by CCPA or
- ◆ Fails to replenish realised collateral within the time limit specified pursuant to § 32 para. 4 GTC or
- ◆ Fails to comply with its obligation to provide the default fund contribution to CCPA within the deadline pursuant to § 27 para. 3 GTC

1.3 Other default

A default is also deemed given if a clearing member fails to meet any other obligations under the GTC.

Furthermore, clearing members are obliged to inform CCPA immediately if the requirements for admission and participation in clearing are no longer met or the compliance with the GTC is at risk. This shall apply in particular in case of imminent insolvency or imminent over-indebtedness of a clearing member.

1.4 Technical default

If CCPA has reason to believe that the default is not due to inability to pay or perform, that the default was not caused intentionally and that the clearing member will fulfil its obligations without delay, CCPA may place the clearing member in technical default.

In the event of a technical default, CCPA may refrain from notifying Vienna Stock Exchange (WBAG) in its function as general commodity exchange and EXAA as assigned operator of the trading system. CCPA may revoke a technical default at its discretion.

The clearing member affected by the technical default is obliged to submit a written and reasoned statement to CCPA immediately after the technical default has occurred and to promptly remedy its causes.

2 Consequences of default

In the event of default, CCPA immediately informs WBAG and EXAA. In such case, the right to take part in trading is suspended for the clearing member in default.

EXAA blocks the access to the trading system for the concerned exchange member and deletes all open orders in the trading system. WBAG starts expulsion procedure of the defaulting member.

As soon as the default status is activated, CCPA retains the credit-side cash balances of the affected clearing member as additional collateral as of that time and starts the realisation of collateral assets in order to cover the financial loss resulting from the clearing member default.

3 Realisation of clearing collateral and default fund

Upon default, CCPA has the right to realise the clearing collateral deposited to cover all open liabilities including any open interest on arrears, fees of his exchange membership pursuant to the *Schedule of Fees* of the exchange operating company as well as the fees set out in the *Schedule of Fees Spot Market Products in Electric Energy* of CCPA and to cover any damage caused by the defaulting clearing member.

In case of a default on payment, the clearing member's collateral will be used in the following order, while the clearing member has the obligation to replenish realised collateral immediately according to CCPA's discretion:

- ◆ EUR cash collateral and all credit-side cash balances
- ◆ Bank guarantees
- ◆ Security collateral
- ◆ Default fund contribution of the clearing member in default

Remaining open payment obligations are covered by using resources according to the *GTC* and the *Default Waterfall*.

4 Dedicated financial resources

When the realisation of the clearing collateral including excess collateral, as well as the contributions to the default fund of the defaulting clearing member has been completed and additional liabilities of a clearing member remain unsettled, CCPA will use own dedicated resources, which are calculated by analogy with Article 45 EMIR.

CCPA has reserved 25% of EUR 7,5 m = EUR 1.875.000 as dedicated resources in its balance sheet. These dedicated financial resources are allocated to CCPA's two default funds (for the clearing of securities and the clearing of electricity spot market products) in proportion to their size. The allocation is performed quarterly.

5 Use of the default fund contributions of other clearing members

If there are still open liabilities after the dedicated financial resources for the electricity spot market have been exhausted, CCPA starts using the default fund contributions of all other clearing members.

CCPA will proceed the realisation in the following order:

1. Calculate the preliminary amount of the remaining open liabilities of the clearing member, compare it with the remaining default fund and calculate the percent share of the liabilities;
2. Realise the contributions to the default fund of all clearing members in the amount of the percentage calculated;
3. Cover all open liabilities from the contributions realised.

6 Additional amount of prefunded dedicated own resources

If, after the realisation of the default fund contributions of all other clearing members, there are still outstanding liabilities of the defaulting clearing member, CCPA shall use an additional amount of its prefunded allocated own resources (second-skin-in-the-game) in accordance with Article 9 para. 14 CCPRR, the calculation of which is based on Commission Delegated Regulation (EU) 2023/840.

The second-skin-in-the-game is allocated to CCPA's two default funds (for the clearing of securities and the clearing of electricity spot market products) in proportion to their size. The allocation is performed quarterly.

After exhausting these additional own funds, CCPA may make use of the provision of new contributions to the default fund up to two times the amount of the previous contribution.

7 Replenishment of default fund (powers of assessment)

Default fund contributions used must be replaced by each clearing member within five banking days after realisation by furnishing new default fund contributions up to the double amount to date unless the clearing member notifies CCPA of the termination of its clearing membership in the clearing system no later than three banking days after the use of its default fund contributions.

Nonetheless, a clearing member withdrawing shall be liable even if no new contributions have been made to the default fund and after termination of participation in clearing on a pro rata basis, in analogy to the provisions applicable to the default fund, for any cases of default having occurred until the time of its withdrawal.

If the realised contributions are not sufficient to fully resolve the default at once, i.e. if the remaining default fund size, is smaller than the respective liabilities then the realisation procedures are being repeated as often as required.

The amounts remaining after coverage of all open liabilities shall be returned in the corresponding percentages to the clearing members by CCPA within five banking days after the provision of new contributions to the default fund.

Should a defaulting clearing member provide the resources it owes fully or in part after CCPA has used the contributions of other clearing members to the default fund, CCPA shall refund these to the other clearing members in proportion to how it has been used.

8 Termination of the clearing agreement by CCPA

CCPA has the right to cancel the clearing agreement with immediate effect without a period of notice for material reasons. Material reasons may be:

- ◆ It becomes apparent ex post that the requirements for the conclusion of a clearing agreement were not met at the time it was signed or if these requirements cease to be given posteriorly;
- ◆ The clearing member has repeatedly violated the provisions of CCPA's *GTC* despite a warning;
- ◆ Insolvency or similar proceedings have been initiated against a clearing member or an application to open such proceedings has been dismissed due to a lack of assets or comparable proceedings have been ordered;
- ◆ There are reasons that pose or may pose a risk to the physical and financial fulfilment of its electricity spot transactions;
- ◆ The clearing member does not maintain the clearing collateral to cover its transactions or its contribution to the default fund at the required level and thus falls into default;
- ◆ The financial stability of CCPA is at risk or a risk to the clearing system or to the orderly execution of clearing is perceived. If the cause can be identified and such action seems sufficient for eliminating the risk, then as a first step the clearing agreement with the clearing member who causes the risk is terminated.

CCPA can terminate a clearing agreement with immediate effect only in writing and with sufficient reasons being given. Furthermore, CCPA must immediately notify WBAG and EXAA of any termination of a clearing agreement. The termination of the clearing agreement does not release the clearing member from its rights and obligations arising from transactions already concluded.

9 Testing the default procedures

CCPA tests and reviews its default procedures to ensure they are both practical and effective. To validate the general default procedures and to ensure that the clearing members are familiar with the default procedures, CCPA simulates a default of a clearing member in its simulation environment using a predefined screenplay on regular basis. To the extent possible, members are integrated in this simulation (e.g. communication process, realisation of collateral etc.).

The insolvency test is performed at least on an annual basis and includes the following basic steps:

1. CCPA declares default of a clearing member
2. CCPA immediately informs EXAA and WBAG
3. EXAA suspends the member from trading immediately
4. WBAG suspends the exchange membership
5. National Competent Authorities are informed
6. Open payment obligations are covered by using resources according to the default waterfall
 - a) Cash collaterals and all cash balances from defaulting clearing member
 - b) Commercial bank guarantees issued for the defaulting clearing member
 - c) Securities deposited as collateral and securities from defaulting clearing member
 - d) Contributions to the default fund from defaulting clearing member
 - e) Own dedicated resources of CCPA
 - f) Contributions to the clearing fund from non-defaulting members on pro rata basis