



## GENERAL CONDITIONS

Energy Derivatives Segment



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3 January 2018

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**1. GENERAL CHARACTERISTICS**

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## 1.1. INTRODUCTION

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These General Conditions develop the Rule Book of MEFF Sociedad Rectora del Mercado de Productos Derivados, S.A., SOCIEDAD UNIPERSONAL (Hereinafter MEFF or Exchange), forming part of itself, in accordance with Article 1.1, and establish the characteristics of the Contracts that are part of the Energy Derivatives Segment.

The entity in charge of registering Contracts that are part of this Segment is BME CLEARING, S.A., SOCIEDAD UNIPERSONAL, (BME CLEARING or CCP).

According to Article 13 of the Rule Book of MEFF, the entity responsible for the clearing and settlement of Contracts and to give them counterparty shall be the Central Counterparty BME CLEARING, SAU, (BME CLEARING or CCP) with which MEFF has reached the appropriate agreements so that it takes care of the counterparty, clearing and settlement of contracts traded on MEFF.

The General Conditions are divided into separate sections, the first one dedicated to General Characteristics, whose provisions apply to all contracts that are part of this Segment. The subsequent sections relate to the specific characteristics of each of these Contracts and include their complete description, detailing the characteristics relating to trading on MEFF.

The date of entry into force of these General Conditions and, if applicable, of each of the sections relating to the Contracts, shall be communicated in due course.

## 1.2. DEFINITIONS

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The terms used in the regulation on the Energy Derivatives Segment have the same meaning as provided in MEFF Rule Book, unless expressly stated another scope or meaning in any of the cases where they are used.

Additionally, the following terms will be applicable, used in the contracts technical specifications, as well as the provisions contained in these General Conditions relating to both trading and the activities of counterparty, clearing and settlement that will take place on BME CLEARING:

**Close a Contract:** To perform a Trade of opposite sign to another already registered.

**To Close a Position:** To close all Contracts in a position.

**Settlement Date:** Date on which the settlement of a Contract takes place. The Exercise Date shall be set forth in the General Conditions of each Contract.

**Expiration Date:** Date on which a Contract expires. The Expiration Date shall be set forth in the General Terms and Conditions of each Contract.

**Variation Margin:** Regular cash settlement of the differences between the Contract Price and the Settlement Price, or between the last Settlement Price and that of the calculation date for Contracts which were already be open at the start of the calculation date. After this process, all affected Contracts shall be considered agreed at the Settlement Price. The General Conditions of the Contracts may set forth that the Variation Margin be incorporated to the Initial Margins.

The Variation Margin shall be made with regularity set forth in the General Conditions. Unless otherwise expressly provided, the Variation Margin shall be made on a daily basis.

**Cash Settlement:** Procedure whereby performance of the Contract on the Settlement Date takes place only by transferring cash for the difference between the price or prices agreed in the Contract and the Settlement Price.

**Future Price:** Price agreed in a Future Contract. The agreed price is adjusted according with the Variation Margin process.

**Swap Price:** Price agreed in a Swap Contract.

**Delivery Price:** The price paid for the Underlying Asset in Contracts including Settlement by Physical Delivery

**Settlement Price:** Price based on which a Cash Settlement is calculated, either on the Expiration Date or in advance.

**Settlement Price at Expiration:** Price based on which a Cash Settlement is calculated on the Expiration Date.

**Periodical Settlement Price:** Price based on which the Variation Margin and the Margins are calculated, with the regularity determined in the General Conditions of the Contracts.

**Daily Settlement Price:** Price based on which the Variation Margin and the Margins are calculated, on a daily basis.

### 1.3. CONTRACTS

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The following Contracts are part of the Energy Derivatives Segment. The general characteristics of such Contracts are defined in the General Terms and Conditions of each Contract:

- MIBEL Electricity Futures and Swaps Contracts.

The Market Trading Systems where the Energy Derivatives Segment contracts will be available for trading, will be established through the relevant Circular.

### 1.4. MEMBERS

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Members shall need to make available to MEFF, in relation to Contracts belonging to this Segment, all necessary information so that MEFF may respond, in the deadlines and formats determined in each case, the information requirements by the CNMV or Competent Authority, regarding the executed transactions.

### 1.5. CENTRAL COUNTERPARTY, CLEARING AND SETTLEMENT

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The activities of counterparty, clearing and settlement of the Contracts belonging to the Energy Derivatives Segment will be carried out by BME CLEARING according to the provisions of the Rule Book of BME CLEARING and other applicable regulations.

### 1.6. TRADING SCHEDULE

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The trading timetable for Contracts belonging to this Segment shall be determined through the relevant Circular.

### 1.7. DISSEMINATION OF INFORMATION

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The Transactions will be informed following the requirements set in the relevant Circular regulating the Market Trading Systems.

**2. MIBEL ELECTRICITY FUTURES AND SWAPS  
CONTRACTS**

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## 2.1 INTRODUCTION

This Part 2 of the General Conditions describes the characteristics of the MIBEL electricity Contracts that belong to the Energy Derivatives Segment that are admitted for Trading on MEFF.

## 2.2 UNDERLYING ASSET AND CONTRACT CLASS

The Underlying Asset is notional electricity at a constant energy, during all the Relevant Hours, according to the Type of Product, of the Delivery Period object to Contract in the Spanish zone of the Iberian Energy Market (MIBEL).

These General Conditions describe two types of Future Contracts, called Futures and Swaps for the purposes of these General Conditions.

The difference between Futures and Swaps lies in the Variation Margin and in the Market Value Adjustment, as shown in the following table and, in more detail, in the following sections of these General Conditions.

Contract Class	Delivery Period	Variation Margin	Settlement at Expiration	Mark to Market Adjustment
Futures	Calendar	Yes	By Cascading it is broken down into Quarterly Future Contracts	No
	Quarter	Yes	By Cascading it is broken down into Monthly Future Contracts	No
	Month	Yes	Cash settlement with respect to the Settlement Price at Expiration	No
	Week	Yes	Cash settlement with respect to the Settlement Price at Expiration	No
Swaps	Calendar	No	By Cascading it is broken down into Quarterly Swap Contracts	Yes
	Quarter	No	By Cascading it is broken down into Monthly Swap Contracts	Yes
	Month	No	Cash settlement with respect to the Settlement Price at Expiration	Yes
	Week	No	Cash settlement with respect to the Settlement Price at Expiration	Yes
	Day	No	Cash settlement with respect to the Settlement Price at Expiration	Yes

## 2.3 TECHNICAL SPECIFICATIONS

The technical specifications of the Futures and Swaps include a complete description of these contracts, including both the characteristics relating to trading on the Exchange, as features on the clearing, settlement and counterparty, which are carried out by BME CLEARING.

### 2.3.1 Technical specifications common to Futures and Swaps

Type of Product:

- a) Base-load Product: Delivery/receipt of the Underlying Asset during the Relevant Hours of all the days which are included in the Delivery Period.
- b) Peak-load Product: Delivery/receipt of the Underlying Asset during the Relevant Hours set in the Contract every Monday, Tuesday, Wednesday, Thursday and Friday which are included in the Delivery Period.
- c) Wind Energy Contracts: Delivery/receipt of the Underlying Asset during the Relevant Hours of all the days included in the Delivery Period.

Relevant Hours  
of the Contract:

- a) Base-load Product: From the first hour of the day (that is from 00:00 to 00:59 hours) to the last hour of the day (23:00 to 23:59 hours) of all days included in the Delivery Period. The days we change our clocks to Daylight Saving Time there will either be an additional hour or an hour less.
- b) Peak-load Product: From the ninth hour of the day (08:00 to 08:59 hours) to the twentieth hour of the day (19:00 to 19:59 hours) of every Monday, Tuesday, Wednesday, Thursday and Friday included in the Delivery Period.
- c) Wind Energy Contracts: From the first hour of the day (that is from 00:00 to 00:59 hours) to the last hour of the day (23:00 to 23:59 hours) of all days included in the Delivery Period. The days we change our clocks to Daylight Saving Time there will either be an additional hour or an hour less.
- d) The hours shall be designated according to the Spanish time (peninsular zone).

Delivery Period:

Contracts shall have a Daily, Weekly, Monthly, Quarterly and Yearly Delivery Period, as defined in section 3.2 for each Contract class.

- a) The Delivery Period shall be the same day of the Contract for daily Contracts and for the rest of the Contracts the days comprised in the week, month, quarter or year of the Contract, as indicated below.
- b) Weekly products may be: business week, full week and week-end.
- c) For **Weekly** products, the first day of the Delivery Period for the product 'business week' shall be Monday and the last day shall be Friday, the first day of the Delivery Period for the product 'full week' shall be Monday and the last day shall be Sunday, and the first day of the Delivery Period for the product 'week-end' shall be Saturday and the last day shall be Sunday.
- d) For **Monthly** products, the first day of the Delivery Period shall be the first day of the month and the last day of the Delivery Period shall be the last day of the month in question.
- e) For **Quarter** products the first day of the Delivery Period shall be the first day of the quarter (January, April, July and October as the case may be) and the last day of the Delivery Period shall be the last day of the quarter (March, June, September or December as the case may be).
- f) For **year** products the first day of the Delivery Period shall be the first day of January, and the last day of the Delivery Period shall be the last day of December.

Contract Unit:

1 MW or 100 KW (0.1 MW).

Contract Size:

In MWh (or KWh in case Unit of Registration is 100 KW) according to the formula:

$$MW \text{ (or 100 KW)} * \text{Number of days of the contract} * \text{Number of Relevant Hours of Type of Product}$$

Contract Prices:

In Euros per MWh (or in Euros per 100 KWh when Unit of Registration is 100 KW) with at least two decimals.

Last Trading Day for Pre-arranged Trades (MEFF) and Registry (BME CLEARING):	The Working Day prior to the first day of the Delivery Period.
Daily Settlement Price:	Established by BME CLEARING.
Margins:	Established by BME CLEARING.
Procedure of Cascading:	Through this procedure, on the date established by these General Conditions, a year or quarterly Futures Contract splits into quarterly or monthly Futures Contracts respectively.
Contract Profile:	<p>a) Base-load Product: It has a Flat Profile: all Relevant Hours compute the same. See section 2.6.</p> <p>b) Peak-load Product: It has a Flat Profile: all Relevant Hours compute the same. See section 2.6.</p> <p>c) Wind Profile Product: It has a Variable Profile according to wind forecast published by MEFF. It will be developed by Circular the moment when the Wind Profile is published for each contract.</p>
Means of Negotiation:	Exclusively for transactions agreed directly between Members (or between Member Clients) as pre-arranged trades on MEFF in agreement with the corresponding Circular.

## 2.3.2 Technical Specifications not common to Futures and Swaps

### 2.3.2.1 Futures Contracts

Delivery Periods entered in the register	Yearly, Quarterly, Monthly and Weekly.
Expiration Date	For Yearly and Quarterly Contracts as prescribed in Section 2.5.1 of these General Conditions and as prescribed in section 2.5.2 for Monthly and Weekly Contracts.
Means Settlement at Expiration	For Yearly and Quarterly Contracts by Cascading, as prescribed in section 2.5.1 of these General Conditions. For Monthly and Weekly Contracts by cash settlement as prescribed in Section 2.5.2 of these General Conditions.

### 2.3.2.2 Swap Contracts

Delivery Periods entered in the register	Yearly, Quarterly, Monthly, Weekly and Daily.
Expiration Date	For Yearly and Quarterly contracts as prescribed in Section 2.5.3 of these General Conditions and as prescribed in section 2.5.4 for Monthly, Weekly and Daily.
Means of Settlement at Expiration	For Yearly and Quarterly contracts by Cascading, as prescribed in section 2.5.3 of these General Conditions.

For Monthly, Weekly and Daily contracts by cash settlement of the difference between the Contract Settlement Price at Expiration and the registered price in the trade, as prescribed in Section 2.5.4 of these General Conditions.

## 2.4 CONTRACTS ENTERED IN THE REGISTER

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MEFF shall define by Circular the Contract Delivery Periods listed for trading.

At the request of Members, MEFF may admit for Trades agreed directly between Members other Contracts whose Delivery Period is not envisaged in the aforementioned Circular, provided they are covered by the definition of Delivery Period in section 2.3.

Peak Week Contracts shall be listed for trading only at the request of Members.

## 2.5 MEANS OF SETTLEMENT AT EXPIRATION

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### 2.5.1 Year and Quarterly Futures Contracts

Year and Quarterly Futures Contracts shall be settled at expiration by Cascading and as follows:

2.5.1.1 After the Last Trading Day, year Futures split into quarter Futures.

*For example, on the 31st December 2021, the Base Year Futures Contract for 2022 closes splitting into the following Base Quarterly Future Contracts: the Future Contract of the first quarter 2022, the Future Contract of the second quarter 2022, the Future Contract of the third quarter 2022 and the Future Contract of the fourth quarter 2022.*

2.5.1.2 After the Last Trading Day, Quarterly Futures close splitting into three Monthly Futures.

*For example, on the 31st December 2021, the Base Futures Contract of the first quarter 2022 closes splitting into the following Base Futures Contracts: January 2022 Futures Contract, February 2022 Futures Contract, and March 2022 Futures Contract.*

2.5.1.3 For Year and Quarterly Future Contracts, the Expiration Date is the date of the last Trading Day of the Contract.

2.5.1.4 The Cascading of Year and Quarterly Futures shall take place at the Final Settlement Price of the closing Contract.

### 2.5.2 Month and Weekly Futures Contracts

Monthly and Weekly Future Contracts shall be settled in cash at expiration as follows:

2.5.2.1 Expiration Date shall be the last day of the delivery period, unless this falls on a Saturday, Sunday or bank holiday, in which case it shall be calculated on the first working day following the last day of the delivery period.

2.5.2.1 Settlement shall be calculated as the difference between the Settlement Price at Expiration and the Daily Settlement Price of the previous session multiplied by the registered MW and the Nominal amount of each Contract.

2.5.2.1 Cash settlement date shall be the first Working Day following the last day of the delivery period, unless the last day of the delivery period falls on a Saturday, Sunday or bank holiday, in which case the cash settlement date shall be the second working day following the last day of the delivery period.

### **2.5.3 Year and Quarterly Swap Contracts**

Year and Monthly Swaps shall be settled at expiration by Cascading and as follows:

2.5.3.1 After the Last Trading Day, year Swaps close splitting into four quarterly Swaps.

*For example, on the 31st December 2021, the year Base Swap Contract of 2022, closes splitting into the following Base Swap Contracts: the Base Swap of the first quarter 2022, the base Swap of the second quarter 2022, the Swap of the third quarter 2022 and the Swap of the fourth quarter 2022.*

2.5.3.2 After the Last Trading Day, Quarterly Swaps close splitting into three Monthly Swaps.

*For example, on the 31st December 2021, the Base Swap Contract of the first quarter 2022, closes splitting into the following Base Swap Contracts: the Swap of January 2022, the Swap of February 2022 and the Swap of March 2022.*

2.5.3.3 For Yearly and Quarterly Swaps, the Expiration Date is the date of the last Trading Day of the Contract.

2.5.3.4 Monthly Swaps are settled at Expiration by cash settlement with respect to the Settlement Price at Expiration, (see the following section about the Means of Settlement at Expiration for Monthly, Weekly and Daily Swaps).

2.5.3.5 Cascading shall take place at the registered Price of the trade.

### **2.5.4 Monthly, Weekly and Daily Swaps Contracts**

Monthly, Weekly and Daily Swaps shall be settled in cash at expiration as follows:

2.5.4.1 For Monthly, Weekly and Daily Contracts, the Expiration Date shall be the last day of the delivery period, unless this falls on a Saturday, Sunday or bank holiday, in which case it shall be calculated on the first working day following the last day of the delivery period.

2.5.4.2 It shall be calculated as the difference between the Settlement Price at Expiration and the registered Price of each transaction multiplied by the registered MW and the Nominal amount of each Contract.

- a) A final cash settlement shall be carried out taking into account the difference between the Settlement Price at Expiration and the registered price for all registered Swap Contracts.
- b) Buyers of Swaps with a price agreed for the transaction lower than the Settlement Price at Expiration, and sellers of Swaps with a price agreed for the transaction higher than the Settlement Price at Expiration shall receive the cash settlement.
- c) Sellers of Swaps with a price agreed for the transaction lower than the Settlement Price at Expiration, and buyers of Swaps with a price agreed for the transaction higher than the Settlement Price at Expiration shall pay the cash settlement.

2.5.4.3. Cash settlement date shall be the first Working Day following the last day of the delivery period, unless the last day of the delivery period falls on a Saturday, Sunday or bank holiday, in which case the cash settlement date shall be the second working day following the last day of the delivery period.

## **2.6 MEANS OF SETTLEMENT AT EXPIRATION**

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The Settlement Price at the expiration of the Contracts is, determined by BME CLEARING.

And calculations will be done using the following criteria:

2.6.1 For Weekly and Monthly Contracts of Flat Profile (Base load and Peak load) the Settlement Price at Expiration shall be the arithmetic average of the daily market hourly price of all the Relevant Hours of the Contract every day in the Delivery Period.

2.6.2 For all Weekly Variable Profile Contracts (Wind Profile) the Settlement Price at Expiration shall be the weighted average of the daily market hourly price of all the Relevant Hours of the Contract every day in the Delivery Period. The weighted average will be obtained multiplying the percentage of the wind production of each hour of the week with respect to the total of the week in question, by the price of each hour.

2.6.3 For Daily Contracts of Flat Profile (Base load and Peak load) the Settlement Price at Expiration shall be the arithmetic average of the daily market hourly price of all the Relevant Hours of the day's contract in question.

2.6.4 For all Daily Contracts of Variable Profile (Wind Profile) the Settlement Price at Expiration shall be the weighted average of the daily market hourly price of all the Relevant Hours of the Daily contract in question. The weighted average will be obtained multiplying the percentage of the wind production of each hour of the week with respect to the total of the day in question, by the price of each hour. See Wind Profile in Section 2.3.1.

2.6.5 The daily market hourly price shall be the price published by the Operador del Mercado Ibérico de Energía- Polo Español for that specific day and hours.

2.6.6 If different prices are published for the Spanish zone and the Portuguese zone, the price of the Spanish zone published by the Operador del Mercado Ibérico de Energía shall be used.

## **2.7 NON-CLEARING MEMBERS THAT ARE NOT INVESTMENT SERVICES COMPANIES OR CREDIT INSTITUTIONS**

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Entities that are not investment services companies or credit institutions requesting being a Member for the Energy Derivatives Segment must comply with the following requirements, as established in article 3.2 of the Rule Book:

### **2.7.1 Experience and professionalism**

Prove previous use of similar products to the ones described in these General Conditions in OTC markets or being familiar with the underlying electricity market. Certain criteria shall be taken into account, such as the entity's corporate purpose, activity range, accessibility to the Underlying Asset spot market, or participation in similar derivatives markets.

The following types of entities are understood to comply with this condition:

- a) Those which are normally and indistinctively in the business of energy production, commercialization, distribution, dealing, or strategic reserve.
- b) Those entities which, being part of a group of entities that carry out any of the said activities in the previous section, have the corporate purpose of doing business in the business platforms which have agreements with MEFF or BME CLEARING.
- c) Those entities whose corporate purpose are doing business in the energy derivatives financial markets and whose members carry out any of the activities mentioned in section a) without forming a group.
- d) Consumers with access to the Underlying Assets Production market according to the applicable legislation.

In addition, other entities that meet the aforementioned requirements must provide evidence that they have the minimum operational resources to operate in MEFF. In this respect, their membership of another Exchange or derivatives market may be taken into consideration.

### **2.7.2 Solvency**

Maintain own resources of at least Euro FIFTY THOUSAND (50,000), or any higher quantity which may be established by Circular.