

PROCEDURE FOR TRADING ON THE CENTRALIZED NATURAL GAS MARKETS ADMINISTERED BY THE ROMANIAN COMMODITIES EXCHANGE THROUGH THE UTILIZING OF A CLEARING HOUSE/CENTRAL COUNTERPARTY

GENERAL PROVISIONS

Art. 1.

This Procedure establishes the framework for the trade of natural gas on the Market for Standardized Medium and Long-Term Products (hereinafter referred to as the “Market”) through an electronic trading platform managed by the company Bursa Română de Mărfuri (Romanian Commodities Exchange) S.A., hereinafter referred to as the “RCE”, as a licensed operator for the management of centralized natural gas markets, through utilizing the services of a clearing house/counterparty for the guaranteeing of the fulfilment of the financial obligations of the participants to the market.

TERMINOLOGY

Art. 2.

- (1) For the purposes of this Regulation, the terms used shall have the following meanings:
- a) **Competent Authority** – the Romanian Energy Regulatory Authority (RERA);
 - b) **Broker** - a natural person working in a business relationship with an economic operator or with a brokerage company, having as main tasks the introduction and maintenance of orders during the trading sessions / auctions and the right to engage the liability of the economic operator it represents in relation to the RCE;
 - c) **Clearing house** – A financial institution which the RCE designates to ensure the role of a counterparty. The clearing house operates according to its own procedures, in conformity with its own license and approval gained from the financial supervision authority ESMA. The RCE can itself fulfill the role of a clearing house, under the condition that within the market for standardized medium and long term products, no derivative financial instruments are being traded.
 - d) **Counterparty** – An entity which interposes itself, from a financial point of view, between the buyer and seller, becoming a buyer for the seller, and a seller for the buyer, with the scope of ensuring the process of the settlement of a transaction concluded within the market, in the name of the participants. The RCE ensures the role of a counterparty for short term transactions concluded on the centralized natural gas markets and can ensure the role of a counterparty for medium and long term transactions also.

- e) **Convention for participation (Annex 2 of the Regulation on the framework for trading standardized products on the centralized natural gas markets managed by the company Bursa Română de Mărfuri (Romanian Commodities Exchange) S.A.)** - standard framework agreement defined by the operator of the centralized market concluded with the participants, and which stipulates the reciprocal rights and obligations of the parties;
- f) **Framework agreement for the provision of Clearing/Counterparty services for medium and long term products Annex 2 to the procedure** – will be represented by the Acceptance agreement of the Compensatory Member. The clauses of the agreement can be changed only after the process of public consultation, according to the regulation of the competent authority.
- g) **Participant** – economic operator from within the natural gas sector which is an RCE Affiliated Member, signs the convention for participation to the centralized natural gas market administered by RCE, signs the framework agreement for the provision of Clearing/Counterparty services and has a signed valid balancing and access to VPT contract concluded with the Transmission System Operator.
- h) **The Transmission and System Operator (TSO)**, in particular S.N.T.G.N. Transgaz S.A.;
- i) **Sale / purchase order / bid** – the bid submitted by a participant, consisting of a price-quantity pair and other specific attributes, representing the participant's firm commitment;
- j) **Price** - the price of the transaction, recorded and displayed within the trading system;
- k) **The best price** - the price of the trading order, with the highest execution priority, namely the highest purchase price, i.e. the lowest sale price of a tradable product;
- l) **The lowest price** - the price of the trading order with the lowest execution priority, namely the lowest purchase price, i.e. the highest sale price of a tradable product;
- m) **Double competitive trading procedure** - a set of rules and mechanisms for bidding, negotiation and trade established by this procedure. It implies the release of standard tradable products by the RCE, during a trading session;
- n) **Standard product** - a product defined in the RCE trading system, whose object is the medium and long-term sale - purchase of natural gas;
- o) **Trading report** - report issued by the trading systems of the RCE, containing complete data on the orders / bids entered and the transactions concluded;
- p) **Transaction session** - the timeframe of the trading procedure, where the sale and / or purchase orders can be entered, modified, cancelled or terminated and transactions can be concluded - if the correlation conditions established by the algorithms of the trading systems are fulfilled;
- q) **Trading systems** – information systems operated and managed by the RCE for the purpose of concluding transactions;
- r) **Transaction** - an operation concluded in the trading system following the correlation of a sale bid with a purchase bid, according to the specific trading system algorithms;

s) **Transaction confirmation** – a notification received by the participant through the trading system which confirms that the participant has concluded a transaction.

(2) The other terms and definitions used in this Procedure have the meaning given in the “Regulation concerning the framework for trading standardized products on the centralized natural gas markets managed by the company Bursa Română de Mărfuri (Romanian Commodities Exchange) S.A.”, hereinafter referred to as the “Regulation”, as well as by the current legislation.

STANDARD PRODUCTS ADMITTED FOR TRADING

Art. 3. (1) Within the medium and long term market, through utilizing the services of a Clearing house/Counterparty – The RCE organizes trading sessions for the following standardized products, concerning the delivery point (VTP) as well as the duration of delivery.

- a. WEEK (delivery interval - week)
- b. MONTH (delivery interval - month)
- c. QUARTER (delivery interval - quarter)
- d. SEMESTER (delivery interval - semester)
- e. COLD SEASON (delivery interval – quarters IV and I)
- f. WARM SEASON (delivery interval – quarter II and III)
- g. GAS YEAR (delivery period - gas year)

(2) The description and characteristics of each product are given in **Annex 1** to this procedure.

SPECIFIC PARTICIPATION AND TRADING REQUIREMENTS

Art. 4.

(1) The economic operators that meet the following requirements are allowed to participate in transactions on the Market for Medium and Long-Term Products:

- they are holders of a valid licence granted by the RERA for the sale of natural gas and have concluded a contract for the balancing and access to the VTP with the transport and system operator;
- they are operators of the distribution systems and of the natural gas storage systems, that have concluded a contract for the balancing and access to the VTP with the transport and system operator and have the exclusive trading right for the purchasing direction;
- they are final customers who have concluded a contract for the balancing and access to the VTP with the transport and system operator, and they have the trading right for the purchasing direction; for the sale direction they have the right to sell natural gas only in order to effectively balance their own portfolio;

- the transmission and system operator (TSO) participate in transactions exclusively for the purpose of undertaking the physical balancing actions of the National Transmission System (NTS) and the constitution of the minimum required stock of natural gas.

(2) The standard products referred to in art. 3 (1) have the following characteristics:

- suspensive delivery term of at least 2 (two) working days from the date of concluding the transaction;
- have as object the transfer of the ownership right at the VTP over quantities of natural gas to be delivered at the VTP, in a constant daily profile, for a period longer than one gas day;
- the transfer is based on the trading report issued by the trading systems of the RCE;
- the quantity traded under such a contract is 1 MWh/day;
- the object of the transaction is a standard contract or a multiple of standard contracts, and the items that may be modified by the interested parties in the trading sessions are the price per standard contract and the number of standard contracts traded;
- the price and number of standard contracts for a concluded transaction remain fixed during the execution of the standard contract.

(3) Transactions between participants will be concluded when orders are correlated, according to art. 8 from the present procedure, without the requirement of a natural gas buying-selling contract. The terms and conditions which govern the contracts are those provided at paragraph. 2 above and the financial settlement and the guaranteeing of MC benefits will take place according to the the risk clearing, settlement and management regulation of the RCE as a Central Counterparty.

TRADING PROCEDURES

Art. 5. The trading procedure used on the Market for Medium and Long-Term Products by the RCE is the double competitive trading procedure for standard products defined under the Art. 3 (1).

THE DOUBLE COMPETITIVE TRADING PROCEDURE

Art. 6. Standard products are released for trading by and at the initiative of the RCE, as follows:

- (1) The release of a WEEK standard product shall be made at least 2 days before the first day of the delivery interval;
- (2) The release of a standard product for delivery periods of at least one month shall be made at least 5 calendar days before the first day of the delivery interval;

(3) The release of a standard product for periods exceeding one month shall be made at least one month before the first day of the delivery interval.

I. STAGES OF THE TRADING SESSION

Art. 7.

(1) The brokers shall enter the orders starting with the opening hours of the trading session. They are validated only if they cumulatively meet the following conditions:

a) they mention the quantity, the price and the term of validity of the order;

b) if an amount of money greater than or equal to the value of the bond required in the case of trading the order is available in the bonds account.

(2) The elements that the participant at the release of the bid has to enter are the following:

a) the direction of the bid (sale / purchase);

b) the minimum natural gas volume: the minimum volume is 1 contract of 1 MWh/day multiplied by the number of days of the tradable interval. The minimum total tradable volume is automatically defined for each product separately;

c) the price for products shall be expressed in Lei/ MWh, positive number, with maximum 2 (two) decimals;

d) the validity term of the order (optional); if not filled in, the system shall automatically generate the end date of the trading session.

(3) The orders entered may be maintained by brokers, as follows:

i. the change of price;

ii. the change of quantity;

iii. the change of the validity term of the order.

II. CORRELATION OF THE ORDERS

Art. 8. (1) The purchase and sale orders shall be automatically sorted in the trading platform so that the best offers in terms of price are displayed first. In case of a price tie, the bids shall be sorted by the time stamp, the oldest ones being displayed with priority.

(2) For the sale orders, the sale order is correlated with a purchase order with the same price or with a better price, for the maximum quantity determined by the competition of the quantities mentioned in the two opposite direction orders.

(3) For the purchase orders, the purchase order is correlated with a sale order with the same price or with a better price, for the maximum quantity determined by the competition of the quantities mentioned in the two opposite direction orders.

(4) Under the condition that the transaction has been realized only concerning part of the mentioned quantity of an order, the respective order will be maintained in the trading platform for the remaining quantity.

(5) Transactions concluded through the counterparty mechanism will be notified to the TSO by the RCE, as the counterparty.

III. IV. TRADING REPORT

Art. 9.

(1) At the end of each/ trading session, the trading system generates an electronic report that is sent to all Brokers participating in the trading session, which includes the following items:

- a) the name of the standard product;
- b) the quantity of natural gas relevant to the transaction;
- c) the offered prices;
- d) modifications brought to the quantities and prices throughout the trading session (state of the order) with the associated timestamp;
- e) Transaction/trasactions concluded within the session, with the mention of the quantity, price and the participants to the concluded transaction/transactions.

(2) The results of the trading session shall be published on the RCE website, in accordance with the provisions of the “Regulation concerning the framework for trading on the centralized natural gas markets managed by the company Bursa Română de Mărfuri (Romanian Commodities Exchange) S.A.”.

(3) After the conclusion of a trading session, participants have access through the RCE trading system, to their own transaction confirmations.

(4) The trading report shall be sent to all brokers participating in the trading session, for their transactions, in electronic format.

(5) The results of the trading session are published on the RCE website.

(6) The trading system records and stores all introduced offers, including their life cycle, concluded transactions as well as generated reports, for a period of maximum 5 years, time in which they can be accessed by the participants to which they refer.

THE CLEARING/SETTLEMENT PROCESS

Art. 10.

1) Clearing/settlement represents a management process and a calculation process of financial positions, function which establishes the guarantee quantum which ensures the financial loss risk caused by substituting open positions as a result of concluded transactions. This process is realized according to the risk clearing, settlement and management regulation of the Romanian Commodities Exchange as a Central Counterparty.

- 2) Without altering the role of Clearing house, transactions concluded determine firm participant obligations to deliver natural gas in full accordance with the characteristics of the products traded according to the present procedure.

OBLIGATION ASSURANCE

Art. 11.

(1) The occurrence and guaranteeing of transactions concluded under the conditions of the use of a Clearing house/Counterparty is done according to the risk clearing, settlement and management regulation of the Romanian Commodities Exchange as a Central Counterparty. In order to benefit from the trading services through the Clearing/Counterparty services, participants must sign the Framework for provision of Clearing/Counterparty services, which require the cumulative fulfillment of the following conditions:

- to fulfill the requirements established by the Clearing house/Counterparty;
- they are holders of a valid licence granted by the RERA for the sale of natural gas and to fulfill the conditions mentioned in article 4 paragraph 1 of the present procedure;
- to provide the guarantees required by the Clearing house/Counterparty;
- to adhere to the provision of the risk clearing, settlement and management regulation of the Romanian Commodities exchange as a Central Counterparty.

(2) Guarantees are calculated using the algorithms established by the Clearing house/Counterparty and have the role of sustaining each transaction of a participant.

(3) The Clearing house/Counterparty is not responsible for the physical delivery or taking over of quantities contracted from the network by the network users, nor any imbalances generated by the utilizer. Imbalance situations are administered by the TSO according to the Network Code.

(4) Notifications, unfulfillment of obligations by the network utilizer as well as all information necessary for ensuring the whole process will be agreed between the Clearing house/Counterparty and the TSO based on special protocols. The clearing process takes place according to the risk clearing, settlement and management regulations of the RCE as Central Counterparty.

RISK MANAGEMENT

Art. 12.

Trading natural gas with associated Clearing house/Settlement services presents two risk categories:

(a) Financial risk – takes place when a member does not fulfill the obligation of depositing, at the agreed time the guarantee or breaks the settlement rules. The Clearing house/Counterparty will suspend clearing/settlement services and will begin to mobilize available guarantees according to the risk clearing, settlement and management regulation as a Central Counterparty.

- (b) The risk of physical nondelivery, total and/or partial takes place when the participant does not deliver the quantity of natural gas traded under the established conditions. In this case, the Clearing house/Counterparty does not guarantee for the physical nondelivery but, will retain the seller guarantee in order to manage the so called „substitute risk” of nondelivered natural gas, according to the risk clearing ,settlement and management regulation as a Central Counterparty.
- (c) In the case in which, after the conclusion of a transaction, the selling party does not honour the delivery obligation (total or partial), the Clearing house/Counterparty will initiate a process of substitution of the respective positions of the nondelivered volumes and the Clearing house/Counterparty will support potential price differences according to the risk clearing, settlement and management regulation as a Central Counterparty.
- (d) Also, in the case in which after the conclusion of the transaction, the buying party does not honour the receiving obligation (total or partial) of the volume of natural gas which made the object of the transaction, the Clearing house/Counterparty will initiate a process of substitution of the respective positions of the nonreceived volumes and the Clearing house/Counterparty will support potential price differences according to the risk clearing ,settlement and management regulation as a Central Counterparty.
- (e) The failure of the substitution positions of nonreceived/nondelivered volumes resulting in imbalances established by the TSO, does not attract any kind of responsibility to the Counterparty.
- (f) Even in the situations in which the Clearing house/Counterparty successfully realises the substitution process of the positions relevant to volumes nonreceived/nondelivered, participants which do not receive/do not deliver traded volumes will be sanctioned according to the risk clearing, settlement and management regulation as a Central Counterparty.

TARIFFS AND COMMISSIONS

Art. 13.

- (1) The RCE has the right to charge the participants to the centralized market tariffs and commissions for the activities and services performed, as follows:
- a) an annual registration tariff (lei/participant/year);
 - b) a commission for the management of the centralized natural gas market (lei/1000 MWh) according to the commissions scale, applied only to the participants – parts of the transaction;
 - c) any other tariffs and contributions provided in the risk clearing ,settlement and management regulation as a Central Counterparty.
- (2) In the case where obligations provided in paragraph. 1 are not paid until the due date, the RCE has the right to suspend access to trading sessions to the participant until the moment when obligations are met.

Art. 14.

The tariffs and commissions charged as operator of the centralized natural gas market are set up based on the decision of the Board of Directors of the RCE and are published on the RCE website.

THE REGIME OF THE SUBMISSION, MANAGEMENT AND SETTLEMENT OF COMPLAINTS

Art. 15.

The interested party may file a written complaint with the RCE within the due date provided in the risk clearing, settlement and management regulation as a Central Counterparty; the stipulated term is considered to be a period of decline. It is settled as follows:

- (1) the RCE records and sends to the concerned party the submitted complaint and asks the concerned party for a point of view on the settlement of the complaint submitted from the receipt of the complaint;
- (2) The concerned party has the obligation to send within at most 1 (one) working day from the request, to the RCE, the point of view regarding the submitted complaint;
- (3) The RCE shall formulate, together with the party concerned, and send to the interested parties, the response to the complaint within at most 5 (five) days from the date of its registration.

Filing a complaint does not affect the RCE's right to take any measures provided in the risk clearing, settlement and management regulation as a Central Counterparty, until the solutioning of the complaint.

PUBLICATION

Art. 16.

For the transactions concluded within the market of standardized and flexible products on the Market for medium and long-term products, the RCE shall publish daily, at the end of the trading period, on its own website the following pieces of information:

1. the volumes traded and the number of transactions concluded in this respect - for each product;
2. the minimum trading price of the day - for each product;
3. the maximum trading price of the day - for each product;
4. the average price of the trading day - for each product, calculated as a weighted average;
5. the updated average price - for each product - for the products tradable for a longer period, calculated as a weighted average of all transactions made from the beginning of the trading period of the respective product until the end of the trading day;
6. the change in the updated average price as compared to the average / updated price of the previous day - for each product;
7. the closing price of the trading day - the price of the last transaction concluded for each product;

8. the change in the closing price of the day as compared to the closing price of the previous day for each product;
9. the number of participants registered on the market who have submitted at least one bid on the market, irrespective of its direction - sale or purchase.

Art. 17. The operator of the Market for medium and long-term products shall monthly send to the ANRE detailed pieces of information on each transaction concluded on the centralized natural gas market during each trading session, no later than the 10th of the current month for the previous month, according to the ANRE regulations.

Art.18.

- (1) The RCE reserves the right to change and/or complete the present procedure, while respecting the process of public consultation according to the RERA regulations. The only opposable RCE version is that displayed on its website.
- (2) Annexes 1 and 2 are an integral part of the present procedure.

ANNEX 1
to the procedure

A. STANDARD PRODUCTS TRADABLE

PRODUCT NAME	CODES
1. WEEK /BRM_GAS_PHFV	Gas Forward CCP W_ss-aaaa (ss from 01 to 53)
2. MONTH / BRM_GAS_PHFV	Gas Forward CCP M_luna-aaaa (the name of that month)
3. QUARTER / BRM_GAS_PHFQ	Gas Forward CCP Q_Qn-(no. from 1 to 4)
4. FIRST SEMESTER /BRM_GAS_PHFS1	Gas Forward CCP GS_S1-aaaa
5. SECOND SEMESTER / BRM_GAS_PHFS	Gas Forward CCP GS_S2-aaaa
6. COLD SEASON/BRM_GAS_PHFCS	Gas Forward CCP GN_CS – aaaa
7. WARM SEASON/ BRM_GAS_PHFWS	Gas Forward CCP GN_WS – aaaa
8. GAS YEAR / BRM_GAS_PHFGY	Gas Forward CCP GY-aaaa
9. CALENDAR YEAR /BRM_GAS_PHFY	Gas Forward CCP Y – aaaa