

**TRADING PROCEDURE ON THE CENTRALIZED NATURAL GAS MARKETS
ADMINISTERED BY THE ROMANIAN COMMODITY EXCHANGE (ROMANIAN
COMMODITIES EXCHANGE) S.A. ,
UNDER THE CONDITIONS OF USING A CLEARING HOUSE /COUNTERPARTY**

GENERAL PROVISIONS

Art. 1.

The present procedure establishes the framework for the trading of natural gas on the medium and long term standardized products market, through an electronic trading platform managed by the Romanian Commodities Exchange (Bursa Romana de Mărfuri) S.A., hereinafter referred to as "BRM", as a licensed operator in the administration of centralized natural gas markets, under the conditions of using the services of a clearing house/counterparty to guarantee the fulfilment of the financial obligations of the market participants.

TERMINOLOGY

Art. 2.

1. For the purposes of this procedure, the terms and abbreviations used shall have the following meaning:

- a) **Master Clearing/Counterparty Services Agreement** - will be represented by the Clearing Member Acceptance Agreement, published on the BRM website;
- b) **Competent authority** - National Energy Regulatory Authority (ANRE);
- c) **Broker** - a natural person who is in an employment relationship with the economic operator or a brokerage firm, whose main duties are to enter and maintain orders during trading/tendering sessions and who has the right to engage the liability of the economic operator he represents in relation to the BRM;
- d) **Clearing house** - the financial company that the BRM appoints to act as Counterparty. The clearing house operates according to its own procedures, its own licence and approvals obtained from financial supervisory bodies. ESMA;
- e) **Clearing/compensation** - is a process of management and calculation of financial positions, according to which the amount of collateral is determined to ensure the risk of financial loss caused by the replacement of open positions as a result of transactions.

- f) **Standard contract** - an electronic trading specific notion representing the total quantity of a buy/sell order for the entire delivery period and delivery profile of a standardised product;
- g) **Counterparty** - an entity that financially interposes itself between the seller and the buyer, becoming the buyer for the seller and the seller for the buyer, respectively, in order to ensure the settlement process of the transaction concluded in the market on their behalf. BRM can act as Counterparty in medium and long-term transactions;
- h) **Trade Confirmation** - a notification received by the participant via the trading system confirming a trade made by the participant;
- i) **Participation Agreement** - a standard agreement defined by the BRM, which is entered into with participants, and which sets out the mutual rights and obligations of the parties regarding participation in the BRM-administered Energy Markets;
- j) **The Transmission System Operator (TSO)**, in this case S.N.TG.N. Transgaz S.A.;
- k) **Order/offer to buy/sell** - an offer submitted by a participant, consisting of a price-quantity pair and other specific attributes, and representing the participant's firm commitment;
- l) **Participant** - an economic operator in the natural gas sector that signs the Participation Agreement, signs the Framework Agreement for the provision of clearing/counterparty services and has a balancing and PVT access contract in force with the transmission system operator;
- m) **Price** - the price at which the transaction was executed, recorded and displayed by the trading system;
- n) **Best price** - price defined as the price of the order with the highest execution priority, i.e. the highest bid price or the lowest ask price of a tradable product;
- o) **Dual Competitive Trading Facility** - the set of rules and mechanisms for bidding, trading and negotiation established by this procedure. It involves the launch of standardised tradable products by the BRM in one trading session;
- p) **Standardised product** - product defined within the BRM trading system, for the sale - purchase of natural gas on a medium and long term basis;
- q) **Trading report** - a statement issued by the BRM's trading systems, containing complete data on bids placed, interventions during the trading session/auction and transactions completed;
- r) **Counterparty Regulations** - the Clearing, Settlement and Risk Management Rules of the Romanian Commodity Exchange as Counterparty and the Instructions issued thereunder or the Clearing House Regulations, in the case of designation as Counterparty of such entity, as the case may be;
- s) **Trading session** - the period of time during which the trading procedure can be entered, modified, suspended or cancelled and bids and/or offers can be placed and trades can be concluded - if the matching conditions set by the algorithms of the trading systems are met;
- t) **Trading systems** - IT systems operated and managed by the BRM for trading purposes;

- u) **Trade - an** operation completed in the trading system as a result of matching a bid and offer according to algorithms specific to trading systems;

(2) Other terms and definitions used in this Procedure shall have the meaning provided for in the Regulation on the organized framework for trading standardized products on the centralized natural gas markets administered by the Romanian Commodities Exchange S.A., hereinafter referred to as "Regulation", as well as in the relevant legislation in force.

STANDARDISED PRODUCTS ADMITTED TO TRADING

Art. 3. (1) In the medium and long term products market, under the conditions of using a Clearing/Counterparty, BRM shall organize trading sessions for the following standardized products:

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

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

SPECIFIC PARTICIPATION AND TRADING REQUIREMENTS

Art. 4.

(1) Participation in transactions on the medium and long-term product market shall be permitted to economic operators who meet the following requirements:

- holders of a valid license issued by ANRE to market natural gas, who have previously concluded a balancing and PVT access contract with the TSO;
- operators of natural gas distribution and storage systems who have previously concluded a balancing and PVT access contract with the TSO and have the right to trade exclusively on the purchase side;
- final customers who have concluded a balancing contract and access to PVT with the TSOs, with the right to trade on the buy side; on the sell side, they are only entitled to sell natural gas in order to efficiently balance their own portfolio;

- the transmission system operator for the purpose of undertaking the physical balancing of the transmission system and constituting the compulsory minimum stock of natural gas.

(2) The standardised products referred to in Article 3 (1) have the following characteristics:

- relate to the transfer of ownership in the PVT of quantities of natural gas to be delivered to the PVT on a constant daily basis for a period longer than one gas day;
- the transfer is carried out on the basis of the trading report issued by the BRM's trading systems;
- the quantity traded under such a standard contract is 1 MWh/day;
- the object of the transaction is a standard contract or a multiple of standard contracts, and the elements that can be modified by the interested parties during the trading sessions are the price per standard contract and the number of standard contracts traded;
- the price and number of standard contracts relating to a completed transaction cannot be changed after the transaction has been completed.

(3) Transactions between Participants shall be concluded at the time of matching of orders, in accordance with Article 8 of this Procedure, and the Transaction shall be taken over by the Counterparty, without the need to conclude a written contract for the sale and purchase of natural gas. The terms and conditions governing the Contracts shall be as set out in paragraph. 2 above, and the financial settlement and guarantee of the participants' benefits shall be made in accordance with the Clearing, Settlement and Risk Management Rules of the Romanian Commodity Exchange as Counterparty.

TRADING PROCESS

The trading mechanism used in the Medium and Long Term Products Market administered by the BRM is the dual competitive trading mechanism.

THE DOUBLE COMPETITIVE TRADING MECHANISM

Art. 6. The launch of standardised products for trading shall be at the initiative and by the BRM as follows:

- (1) The launch of an asset for the WEEK product shall take place at least 2 days before the delivery period;
- (2) The launch of an asset 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 an asset 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) From the opening time of the trading session brokers shall place orders. They shall be validated only if they cumulatively meet the following conditions:

- a) the quantity, price and validity period of the order;
- b) the existence in the collateral account of an available amount greater than or equal to the amount of collateral required in the event of trading of the order, as required by this Procedure and the Counterparty Rules.

(2) For the calculation of the collateral required in case of order trading, BRM sets a level of variation of the price of the order entered during a trading session, calculated in relation to the daily settlement price of the previous day, calculated according to the Counterparty Rules, corrected in case of high volatility by the variation during the trading session. For clarity BRM will take into account at the time of placing an order cumulatively the required collateral consisting of Initial Margin and Variation Margin.

(3) The BRM will calculate the collateral required before an order is accepted for trading, based on the level of price variation referred to in paragraph 2 above, according to the calculation algorithm set out in the Counterparty Regulations.

(4) The Counterparty may require additional collateral prior to accepting an order for trading, following an assessment by the Counterparty's risk department, if the trading history of that Participant indicates that the order deviates significantly from the previous trading pattern, making it implicitly impossible to predict the financial ability of that Participant to execute the trade resulting from that order.

(5) The items to be entered by the participant at the launch of the offer are :

- a) the meaning of the offer (sale/purchase);
- b) minimum volume of natural gas: the minimum volume is 1 contract of 1 MWh/day multiplied by the number of days of the trading interval. The total minimum tradable volume is defined automatically for each individual product;
- c) the price for products will be expressed in Lei/MWh, positive number, with a maximum of 2 (two) decimal places;
- d) the validity term of the order (optional); if not filled in, the system will automatically generate the end date of the trading session.

(6) Orders entered may be maintained by brokers as follows:

- i. price change;
- ii. change of quantity;
- iii. modification of the validity period of the order.

II. CORRELATION OF ORDERS

Art. 8. (1) Buy and sell orders will be automatically sorted in the trading system so that the best offers in terms of price are displayed first. In the event of a price tie, bids will be sorted by time stamp, with the earliest bids displayed first.

(2) For sell orders, the sell order shall be matched with a buy order at the same or better price for the maximum quantity determined by the competing quantities mentioned in the two opposite orders at the price of the sell order.

(3) For buy orders, the buy order shall be matched with a sell order of the same or better price for the maximum quantity determined by the competition of the quantities mentioned in the two opposite orders at the price of the buy order.

(4) Where the transaction has been carried out in respect of only part of the quantity specified in an order, that order shall be maintained in the trading system for the remaining quantity.

(5) Transactions concluded through the counterparty mechanism shall be notified to the OTS by the Clearing House / BRM- as counterparty, as the case may be.

III. TRADING REPORT

Art. 9.

(1) At the end of each trading session, the trading system shall generate a report containing the following elements:

- a) the name of the standardised product;
- b) the quantity of natural gas subject to the transaction;
- c) prices offered;
- d) changes to quantities and prices during the trading session (order status), with associated timestamp;
- e) the transaction(s) concluded during the session, with the quantity, price and participants in the transaction(s) concluded being mentioned.

(2) The results of the trading session shall be published on the BRM website, in accordance with the provisions of **the "Regulation on the organized framework for trading on the centralized natural gas markets administered by the Romanian Commodities Exchange S.A."**.

(3) After the end of a trading session, participants shall have access, via the BRM trading system, to confirmations of their trades.

(4) The trading report shall be transmitted to the brokers participating in the trading session in electronic format.

(5) The trading system shall record and archive all bids entered, including their lifecycle, the trades made and the reports generated, for a maximum period of 5 years, during which time they may be accessed by the participants to whom they relate.

THE CLEARING PROCESS

Art. 10.

- (1) Clearing/compensation shall be carried out in accordance with the Counterparty Regulations.
- (2) Without prejudice to the role of the Clearing House/Counterparty, the transactions carried out shall determine the firm obligations of the Participant to deliver/take delivery of the natural gas in full compliance with the characteristics of the products traded under this Procedure.
- (3) All trades accepted by the Clearing House/Counterparty shall be maintained continuously in the counterparty and trading system until final execution of the terms and conditions set out in the trade, as per the Counterparty Rules.
- (4) All rights and obligations arising from the transaction shall be strictly observed by the participants party to the transaction.

GUARANTEE OBLIGATIONS

Art. 11.

- (1) The execution and collateralisation of transactions conducted under the terms of a Clearing House/Counterparty shall be in accordance with the Counterparty Regulations.

In order to benefit from Clearing House/Counterparty trading services, participants must sign the Master Clearing/Counterparty Services Agreement, which requires the cumulative fulfilment of the following conditions:

- meet the requirements set by the Clearing House/Counterparty through the Counterparty Regulations;
- hold a valid licence issued by ANRE to market natural gas and/or meet the conditions laid down in Article 4(4). 1 of this Procedure;
- provide the collateral required by the Clearing House/Counterparty;

- (2) Collateral is calculated according to algorithms established by the Clearing House/Counterparty and is intended to support each transaction of a participant.

- (3) The Clearing House/Counterparty shall not be responsible for deliveries/pick-ups of traded quantities of natural gas nor for imbalances generated by them. Imbalance situations shall be managed by the TSO in accordance with the provisions of the Network Code for the National Gas Transmission System approved by Order of the President of ANRE No. 16 / 2013, as amended.

- (4) Notifications, default statuses of transaction participants and all information necessary to ensure the entire process is agreed between the BRM, the Clearing House/Counterparty and the OTS on the basis of specific protocols/agreements.

RISK MANAGEMENT

Art. 12.

Natural gas trading with associated clearing services through the Clearing House/Counterparty involves the following categories of risks, treated as follows:

(a) Financial risk - occurs when a member fails to meet its obligation to deposit the guarantee on time or breaches the rules of settlement. In this case, the Clearing House/Counterparty will suspend services and start mobilising available collateral according to the specific regulations. Entitlements can only be reinstated after the participant concerned has fully discharged its obligation or in accordance with the sanctions imposed by the Counterparty Rules.

(b) Risk of physical non-delivery, total and/or partial - occurs when:

- the selling participant loses access to the PVT and/or does not deliver the quantity of gas traded under the agreed conditions, as the clearing house/counterparty can no longer make the notification in the PVT to the selling participant;

- the Selling Participant fails to deliver the quantity of natural gas traded under the agreed terms for other reasons, in which case the Clearing House/Counterparty can no longer make the notification in the PVT to the Selling Participant.

In these cases, the Clearing House/Counterparty will not guarantee physical delivery, but will maintain the notice(s) in the PVT for the Buying Participant and will hold the Seller Participant's collateral to initiate a process to replace the undelivered volume positions and notify the OTS of this replacement.

(c) Risk of physical non-take-up, total and/or partial - occurs when:

- the Buying Participant loses access to the PVT and/or does not take over the quantity of natural gas traded under the agreed conditions, in which case the Clearing House/Counterparty can no longer make the notification in the PVT relating to the Buying Participant;

- the Buying Participant does not take over the quantity of natural gas traded under the agreed terms for other reasons.

In these cases, the Clearing House/Counterparty will not guarantee physical non-collection, but will maintain the notice(s) in the PVT for the selling participant and retain the Buying participant's collateral to initiate a replacement process for the positions related to the non-collected volumes will notify the OTS of this replacement.

(d) Failure of the replacement process of the positions related to the untaken/delivered volumes, resulting in imbalances established by the OTS, will not result in the withdrawal of the notification in the PVT.

(e) PVT notification risk refers to the situation where the Clearing House/Counterparty fails to make, or makes erroneous PVT notification(s) in relation to a transaction for any Participant. In this case, the Clearing House/Counterparty shall financially compensate the amount of the imbalance caused to the respective Participants.

RATES AND COMMISSIONS

Art. 13.

(1) For the activities and services performed, the BRM shall have the right to charge centralised market participants fees and commissions as follows:

- a) annual registration fee (lei/participant/year);
- b) centralized natural gas market management fee (lei/1000 MWh) according to the fee schedule, applied only to participants - party to the transaction;
- c) charges/fees/contributions set out in the Counterparty Regulations.

(2) In the event of non-payment of the obligations referred to in paragraph 1 by the due date, the BRM shall have the right to suspend the participant's access to trading sessions until the obligations have been met.

Art. 14.

The tariffs and fees charged as operator of the centralised natural gas market are established on the basis of the decision of the BRM Board of Directors and are published on the BRM website.

THE ARRANGEMENTS FOR LODGING, ADMINISTERING AND SETTLING APPEALS

Art. 15.

The interested party may lodge an objection under the conditions laid down in the Market Conduct Procedure. The lodging of an objection shall not affect the right of the Clearing House/Counterparty/BMR to take, pending resolution, any action provided for in the Counterparty Regulations.

PUBLICATION

Art. 16.

For trades concluded in the Standardized Products Market on the Medium and Long Term Products Market, the BRM will publish the following information daily at the end of the trading session on its website:

1. the volumes traded and the number of transactions concluded - for each product;
2. minimum trading price of the day - for each individual product;

3. maximum trading price of the day - for each product;
4. average price of the trading day - for each individual product, calculated as a weighted average of that day's transactions;
5. the updated average price - for each individual product - for tradable products over a wider time frame, calculated as a weighted average of all trades from the start of the trading window for that product to the end of the trading day;
6. the change in the average updated price compared to the average/updated price of the previous day - for each product;
7. closing price of the trading day - the last trading price recorded at the close of the market for each product;
8. the change in the closing price of the day compared to the previous day's closing price - for each individual product;
9. the number of registered market participants who have submitted at least one bid to the market, regardless of whether it is for sale or purchase.

Art. 17. The BRM shall submit monthly to ANRE detailed information on each transaction concluded on the centralised natural gas market in each trading session by no later than the 10th of the current month for the previous month, in accordance with ANRE regulations.

Art. 18.

(1) BRM reserves the right to amend and/or supplement this procedure, subject to the public consultation process in accordance with ANRE regulations. The only version that may be used by the BRM is the one posted on its website.

(2) The Annex is an integral part of this procedure.

ANNEX
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A. STANDARDISED TRADABLE PRODUCTS

PRODUCT NAME	CODING
1. WEEK /BRM_GAS_PHFV	Gas Forward CCP W_ss-yyyy (ss from 01 to 53)
2. MONTH / BRM_GAS_PHFM	Gas Forward CCP M_month-yyyy (name of the respective month)
3. QUARTER / BRM_GAS_PHFQ	Gas Forward CCP Q_Qn-yyyy (no. 1 to 4)
4. FIRST SEMESTER /BRM_GAS_PHFS1	Gas Forward CCP GS_S1-aaa
5. SECOND SEMESTER / BRM_GAS_PHFS	Gas Forward CCP GS_S2-aaa
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