



CLEARING AND SETTLEMENT RULES

Version 1.1
28/03/2023
Podgorica, Montenegro

Article 1

INTRODUCTION

- 1) Montenegrin Power Exchange (hereinafter: MEPX) is responsible for Clearing and settlement on power exchange market in Montenegro (hereinafter: MEPX markets).
- 2) Clearing and Settlement Rules (hereinafter: Rules) prescribe activities of recording, invoicing, issuance of settlement documents and financial settlement of Transactions.
- 3) Clearing and Settlement of Transactions concluded on MEPX markets is performed through Multilateral clearing mechanism.
- 4) Unless otherwise specified in specific market rules, these Rules apply to the Clearing and Settlement of Transactions in all MEPX markets. Clearing and settlement fees are set out in the Fee Schedule.
- 5) Financial means of the Member on MEPX accounts, that serve as Cash collateral, are separated from MEPX property in case of bankruptcy or execution according to Law on bankruptcy and Law on execution and collateral.
- 6) Only Member is eligible as Counterparty to MEPX in Clearing transactions and only in MEPX markets in which the Member has the right to participate.

Article 2

ACCOUNT STRUCTURE

- 1) MEPX will perform Clearing and Settlement activities through:
 - a) Settlement Account;
 - b) Deposit Accounts.
- 2) Bank accounts are opened according to these Rules and agreements on opening and managing bank accounts. MEPX may foresee more detailed procedures to determine types of accounts and the method of managing the accounts for the implementation of the Clearing and settlement tasks.
- 3) Settlement Account
 - a) MEPX performs collection of receivables and payment of liabilities from Transactions in all MEPX markets through the Settlement Account, that is opened in the Settlement bank, unless otherwise specified in specific market rules.
 - b) Member shall be obliged to settle its liabilities arising from Clearing transactions by paying the appropriate amount for purchased Products to the Settlement Account. According to Montenegrin applicable regulations, local Members – residents pay their liabilities to MEPX on the Settlement account in domestic payment operation, while foreign Members – non-residents on the Settlement account in foreign payment operation of MEPX.
 - c) MEPX shall be obliged to pay the appropriate amount of funds to the Member who sold a certain Product to its bank account.
- 4) Deposit Account
 - a) Cash collaterals shall be kept in the Deposit Account, that is opened for every Member individually in the Settlement bank and they are pledged in favour of MEPX for Members that have obligations in accordance with the Trading Rules, Membership Agreement and Agreement on direct use of deposit. Cash Collaterals are pledged from the moment the funds are paid to MEP, without need for further action. MEPX will provide the Member with

information on the cash balance in the Deposit Account of that Member. The Member is not authorized to dispose of funds in the Deposit Account.

- b) All local Members – residents pay money to the Deposit Account in domestic payment operation, and foreign Members – non-residents pay to the Deposit Account in foreign payment operation.
- c) The Member authorizes MEPX to transfer funds from the Deposit Account, if Member is a net debtor MEPX may transfer funds from the Deposit Account to the Settlement Account in order to make a settlement in respect to individual Settlement Day, and if the Member is a net creditor MEPX may make a settlement for a particular Settlement Day by transferring the appropriate amount of funds from the Settlement Account to the Deposit Account. The contents, procedure and method of direct debit from Deposit Account for MEPX markets shall be defined in separate Agreement on direct use of Member's deposit.
- d) The money in the Deposit Account is used to pay the Member's due obligations to MEPX in accordance with the Membership Agreement, Agreement on direct use of deposit and remaining part of the Trading Rules.
- e) Interest incomes on Member's Deposit Account automatically raise the Member's Cash Collaterals.
- f) MEPX will return to the Member the rest of the Cash Collaterals in case of Membership Agreement termination, if funds remain available in the Deposit Account after the settlement of all obligations that the Member has towards MEPX.

Article 3

TRANSACTIONS ON MEPX MARKETS

- 1) Transactions on any MEPX market are automatically and obligatorily subject to Clearing and settlement, unless otherwise specified in specific market rules.
- 2) Members shall be obliged to deliver or off-take the traded Amount of energy according to the obligations from the Trading Rules. MEPX has no obligations or responsibilities regarding the delivery or off-take of the traded Amount of energy. Non-delivery or non-off-take shall be settled in accordance with applicable laws, without the responsibility of MEPX.

Article 4

SETTLEMENT

- 1) MEPX, based on concluded Transactions on MEPX markets, issues an invoice to the Member who is the buyer and an invoice instruction to the Member who is the seller. If the Member is a buyer and a seller on the same MEPX market on the same day, separate invoice and invoice instructions shall be issued. Invoices and/or invoicing instructions are issued separately to the Member for Trading in each MEPX market in which the Member participates.
- 2) According to Multilateral clearing mechanism, MEPX assumes all financial obligations of every Member, while the Member transfers all financial rights, arising from all Transactions, to MEPX, that are potentially increased for applicable tax rate in accordance with laws and regulations, so that MEPX becomes:
 - a) a debtor to every Member that realised a sale on MEPX markets
 - b) a creditor related to every Member that realised a purchase on MEPX markets.

Financial rights and obligations of every Member are compensated with financial rights and obligations of MEPX, in the scope of individual participation on MEPX markets in relation to Transactions that are subject to Multilateral clearing mechanism.

- 3) Trading is in EUR on all MEPX markets.
- 4) The invoice issued by MEPX based on Transactions on MEPX markets falls due on the first Banking Day following the day on which invoice was sent to the Member. The Member is obliged to provide the due amount to the Settlement Account at the latest by 09:00 AM CET on the day of payment.
- 5) The Invoice submitted by the seller to MEPX is due on the first day after the day of issuing the invoice instruction if that day is a Banking Day. If that day is not a Banking Day, the invoice instruction is due on the first following Banking Day. MEPX is obliged to pay the amount from the invoice to the bank account of the Member no later than the end of the due date. While creating the aforementioned invoice, the Member shall refer to the number of the invoice instruction.
- 6) In the event that the Member and MEPX have mutual claims on the basis of Transactions performed on one or each MEPX market (e.g. when the Member was a buyer and seller of the Product on the same trading day), MEPX will issue a statement on compensation and deliver it to the Member in the same way as it submits invoices and invoice instructions.
- 7) The form of invoices, invoice instructions and statement of compensation is determined by MEPX according to applicable laws. The elements of the aforementioned documents can be changed according to amendments of applicable laws.
- 8) MEPX will publish the calendar of non-working days of the bank on its website.
- 9) MEPX sends the notification by email to every Member that the Clearing Report is available on the Portal the same day, in the shortest period possible after publishing the trading results on day ahead market, at the latest by 15:30 CET if the trading day is workday. If the trading day is non-working day, Clearing Report will be available at the latest by 15:30 CET on the first workday.
- 10) The Member can submit a complaint by email on mistakes in the Clearing Report. The complaint must be submitted at the latest 30 minutes after the notification on Clearing Report availability. If the Member does not submit any complaint in the determined window, MEPX considers that the Clearing Report is correct. The submitted complaint must contain the reasons for the complaint. MEPX sends an answer on the complaint at the latest 45 minutes after the deadline for submitting the complaint. That answer is final for the purpose of financial settlement.
- 11) MEPX charges and invoices the Members with Volume Trading Fee and Clearing and Settlement Fee on monthly level, unless specified otherwise in specific market rules. MEPX sends these invoices by email to every Member to the address mentioned in the Application for the Membership until 5. in the ongoing month for the previous month. The payment of these invoices is performed to MEPX bank account with due date of seven days.
- 12) If the Member does not pay to MEPX the provided Volume Trading Fee or does not make other payments provided by the Trading Rules on the due date, MEPX has the right to charge Default Interest Rate on the principal of such unpaid amounts according to the law. Interest rate is calculated from the due date of payment to the settlement date of the debt.

Article 5

CASH COLLATERALS

- 1) Each Member must at its own cost establish and maintain Cash Collaterals in foreseen amounts as a collateral from fulfilling the obligations towards MEPX, in accordance with the Trading Rules

and these Rules, and ensure that the value of its Cash Collaterals at all times meets the applicable Collateral Calls.

- 2) BELEN shall accept Cash Collaterals in the form of cash deposited in the Deposit Account on which the right of pledge is based in favour of MEPX.
- 3) MEPX is asking for minimal Cash Collaterals from every Member that need to be paid before the start of Trading. Minimal Cash Collaterals will be determined individually for every Member.
- 4) The Cash Collaterals which have been deposited by Members are used as collateral for all the obligations of the Member towards MEPX arising from Member's activities on one or all MEPX markets. Cash Collaterals refer to all contractual or non-contractual obligations which may arise for Members, including payment of due price for Products, applicable Trading Fees, Default Interest Rate, as well as all indemnities owed to MEPX, including those arising from damages or expenses incurred by MEPX because of third parties claims, VAT, customs or cross border capacity. The largest amount of MEPX receivables towards the Member is the sum of the amount of Cash Collaterals deposited and the amount of outstanding Collateral Calls, at each individual moment.
- 5) The Member may submit a request to MEPX via the Portal or by email, requesting the return of Cash Collaterals. The request for the return of Cash Collaterals may not exceed the available Cash Collaterals of the Member minus the current financial obligations of the Member towards MEPX. If the request for the return of Cash Collaterals exceeds the permitted amount for the payment, MEPX will reject the submitted request.
- 6) The basis for calculation of Cash Collaterals is the risk of not fulfilling the obligations by the Member. This risk represents the potential financial loss of MEPX in case that the Member does not fulfil the obligations that arose from concluded Transactions on MEPX markets.
- 7) MEPX assumes that all Cash Collaterals, given by the Member as a financial guarantee according to these Rules, are de iure and de facto the property of the Member.
- 8) MEPX reserves the right, according to its own estimation and with revealing the reasons, to change the level of minimal Cash Collaterals, i.e. to request additional Cash Collaterals from the Member or vice versa, to determine the lower amount of minimal Cash Collaterals or to return the part of already deposited Cash Collaterals.
- 9) The amount of minimal Cash Collaterals is calculated by MEPX daily for each Settlement Day, and it equals to the highest amount of daily exposure in the last 30 days.

$$\text{Daily exposure} = \text{Daily net position} * \text{Risk parameter} * \text{Daily factor}$$
 - *'Daily net position'* - net long or net short position (expressed in MWh) of the Member on the day of calculation;
 - *'Risk parameter'* - a multiplier of the risk parameter determined by MEPX, representing the estimated price of electricity per MWh;
 - *'Daily factor'* - a multiplier representing a certain number of coverage days used to calculate daily Cash Collaterals.

The daily factor and risk parameter are determined by MEPX and notified to the Members at least two days in advance. Members are required to submit minimal Cash Collaterals to MEPX, in accordance with the Collateral Calls, no later than 09:00 CET on the next Settlement Day.
- 10) MEPX determines minimal Cash Collaterals for new Members using the formula from the previous paragraph based on estimated future net purchases of the Member.
- 11) MEPX reserves the right at any time to request additional Cash Collaterals from the Member due to the risk assessment performed during the trading day. Additional Cash Collaterals must be paid immediately to the Deposit Account.

- 12) Based on Cash Collaterals of every Member MEPX determines the Trade Limit for every trading day. MEPX calculates the Trade Limit for every Member individually and separately for every MEPX market. The value of Trade Limit is available to Members on the Portal and Electronic Platform.
- 13) The Trade Limit for the Member on day ahead market is determined as follows:

$$\frac{(\text{Cash Collaterals} - \text{Member net obligations})}{(\text{number of non-working days} + 1)}$$

Number of non-working days represents a period from the moment of Trade Limit calculation until the first next workday.
- 14) If the Member wants to increase the Trade Limit, it can pay the additional Cash Collaterals anytime. The Member may inform MEPX by email of the intention to increase the Trade Limit. MEPX shall increase the Trade Limit for the Member on the trading day following the day of reception of the confirmation that the necessary funds are deposited on the Deposit Account. MEPX, if needed, informs the Member in case the Trade Limit is close to exceedance or is exceeded. If the Member does not increase its Cash Collaterals after the notification, MEPX may restrict trading activities of the Member.

Article 6

BREACH OF OBLIGATIONS

- 1) Any breach of these Rules (including non-payment of obligations due by the Members to MEPX) shall be considered a Breach of obligations or a Severe breach of obligations (as the case may be) as defined in the article 16 of General terms of trading rules.
- 2) After the occurrence of the Breach of obligations, MEPX has the right to issue a written notice to the Member that has violated its obligation to correct the Breach within fifteen (15) calendar days from the issuance of the appropriate written notice.
- 3) Immediately after the occurrence of the Severe breach of obligations, MEPX has the right to one or a combination or to all measures as listed below:
 - a) declare that on that day any or all claims of the Member that has violated its obligation under the Trading on any MEPX market are due; and/or
 - b) withhold the amount of the settlement due to the Member and offset the amounts so denied and the amount due by the Member to BELEN, regardless of the maturity of both amounts; and/or
 - c) exercise, realize and enforce their rights in respect of Cash Collaterals submitted by the Member, by collection from the amount on the Deposit Account paid by the Member as Cash Collaterals to MEPX; and/or
 - d) in addition to the aforementioned measures and without prejudice to them, MEPX in any case of Severe breach of obligations has the possibility to terminate the Membership Agreement.