

Trading Appendix 2b

Auction Market Regulations

Physical Market

Issued by Nord Pool Spot AS

AUCTION MARKET REGULATIONS

1. INTRODUCTION

- 1.1.1 These Auction Market Regulations contain detailed provisions on Orders and Auction Price calculation in the Auction Market and are part of the Physical Market Trading Rules.
- 1.1.2 The *Auction Market* provides Trading by means of an Auction for 24 Delivery Hours in respect of each Delivery Day based on all volume and price bids by the Participants received prior to closing of the relevant Auction.
- 1.1.3 Following Auction Closure, all volume and price bids received are stacked and a market equilibrium is calculated. Based on the price and volume market equilibrium, each Participant's rights and obligations regarding the sale and purchase of electricity for the relevant Delivery Hours are determined as further set out herein.

2. REGISTRATION OF ORDERS

2.1 Order Form

- 2.1.1 Orders in the Auction Market shall be submitted using NPS' standard order form and shall be transmitted to NPS through the ETS. Transactions resulting from Orders being matched in the ETS are automatically and mandatory registered for Clearing.
- 2.1.2 NPS may, in situations where the ETS is not working and in addition to what is stated in the General Terms, decide that fax or e-mail may be used as alternative communication using an alternative order form as specified by NPS, and may in such circumstances also set an alternative time for Auction Closure by written notice to the Participants, subject to Section 7.1.3. When using fax or e-mail, NPS can restrict the number of Price Steps in the Hourly Orders and the number of Block Orders. The order form must provide complete information in order to be valid. In case of rejection, the Price Report received by the Participant from NPS will declare that no contract is concluded. NPS will in these cases, if needed, determine separate rules for Price Reports and deadlines for submitting notices of error(s) which may deviate from the provisions set out in Section 5.

2.2 Quoting

- 2.2.1 Subject only to Clause 2.5 all Orders are binding and are available for acceptance in accordance with these Auction Market Regulations.
- 2.2.2 Orders shall be quoted using the Order Types allowed by the Product Specifications, as further specified in Section 3 below. Each Order must specify whether it is a Bid or an Offer, where Bids are denoted by positive Energy Volume numbers and Offers as negative Energy Volume numbers.
- 2.2.3 Energy Volume Limits and Order Price Limits must be within the technical limits set out in the Product Specifications, and must furthermore be within the applicable Price Range.
- 2.2.4 Each Order to each Auction represents an individual and independent Order for the Delivery Period(s) to which it relates. Except as specifically mandated by the Order Type used and subject to Section 2.5, each Order shall represent an individual offer to buy or sell independent of any other Orders submitted by or on behalf of each Participant to the same Auction during that Delivery Period(s).
- 2.2.5 Each Auction relates to a specific Delivery Day. Orders can be registered from the time they are made available for Trading and until Auction Closure, as further set out in the Product Specifications and the Trading Schedule.
- 2.2.6 NPS may in its sole discretion, but shall have no obligation to, contact Participants through MTS and offer to transmit and/or correct an Order should NPS have reason to believe that an Order transmitted by the Participant is erroneous, or that the Participant

erroneously has failed to transmit an Order.

2.3 Price Range

- 2.3.1 NPS shall for each Auction set a Price Range within which all Order Prices in the Auction Market must be for that Auction. Participants shall be informed of the Price Range prior to the opening for Orders for each Auction.
- 2.3.2 NPS may change the Price Range set by giving at least 24 (twentyfour) hours notice. If the following day is not a Trading Day, the notice period shall be prolonged until the corresponding time on the following Trading Day. In case of a change of the Price Range for any Auction following the opening of Orders for that Auction, all Orders submitted prior to such change will automatically be deleted.

2.4 Auction Closure

- 2.4.1 Orders received following Auction Closure will be considered null and void regardless of cause, unless as otherwise provided in the Trading Rules. For the avoidance of doubt, this also applies to Orders received after Auction Closure by reason of Force Majeure or communication failure and irrespective of whether or not the Participant is in any default.
- 2.4.2 NPS may when necessary due to exceptional and isolated circumstances amend the time of Auction Closure for one or more Delivery Days. Except as set out in Section 1, NPS shall give notice to the Participants no later than one (1) week in advance and simultaneously state the affected Delivery Days.

2.5 Order Amendments

- 2.5.1 Hourly Orders which have been submitted are cancelled if the Participant submits a new Hourly Order covering the same Delivery Hour. In case of several Hourly Orders submitted by the same Participant for the same Delivery Hour, the Hourly Order last received by NPS will consequently always be the only Hourly Order which is deemed valid.
- 2.5.2 All Block Orders and Flexible Hourly Orders received will be valid unless a later Block Order or Flexible Hourly Offer (respectively) specifically holds that it represents a change to an identified Block Order or Flexible Hourly Offer (as the case may be) previously submitted, in accordance with the change procedure for the relevant Physical Product as set by NPS.

3. ORDER TYPES

3.1 Hourly Orders

- 3.1.1 Hourly Orders are the Participant's statement of its willingness to purchase or sell a specified Electricity Volume at a specified price in a given Delivery Hour of the applicable Delivery Day.
- 3.1.2 In each Hourly Order, the Participant shall submit a set of Order Price and Energy Volume specifications for the applicable Delivery Hour, starting with the Energy Volume at the lower Order Price Limit and ending with the Volume Limit at the upper Order Price Limit. Additional Price Steps on the on the Order curve may be specified as set out in the Product Specifications.
- 3.1.3 The volume given in an Hourly Order for sale of electricity (Bid) must be constant or increasing with increasing Order Prices. The volume given in an Hourly Order for purchase of electricity (Offer) must be constant or decreasing with increasing Order Prices.
- 3.1.4 To create an Order curve, NPS will upon reception of an Hourly Order interpolate the values between each Price Step in the Hourly Order by means of linear interpolation, and the Hourly Order will be deemed to apply to each interpolated value on the resulting Order curve.

3.2 Flexible Hourly Offers

- 3.2.1 A Participant may submit Flexible Hourly Offers. Flexible Hourly Offers are the Participant's specification of possible additional sales (but not purchases) in any Delivery Hour.
- 3.2.2 The Flexible Hourly Offer shall specify which Energy Volume the Participant would be willing to sell at a specified Order Price Limit in any non-specific Delivery Hour of the applicable Delivery Day.
- 3.2.3 If activated, the Flexible Hourly Offer will be activated in the Delivery Hour which it provides the highest overall value.

3.3 Block Orders

- 3.3.1 Block Orders are the Participant's statement of its willingness to purchase or sell a specified Electricity Volume at a specified Order Price Limit during a minimum of two (2) consecutive Delivery Hours. In the Block Order, the Participant shall submit a Order Price Limit, the hourly Energy Volume per block, and the start and stop time of the block.
- 3.3.2 Blocks may be grouped together with the function "linked Block Order", which makes activation of each block dependent on whether other of the linked blocks are activated or not. Sales and purchase blocks cannot be linked together. When submitting a "linked Block Order", the Participant must specify the order of priority between the linked blocks. NPS sets the maximum number of priority levels allowed and the number of blocks allowed on each priority level, and this can be changed by written communication to Participants with one (1) day notice.

4. MATCHING

4.1 Matching of Hourly Orders and Calculation of Auction Price and Volume

- 4.1.1 All Orders submitted for each Delivery Hour will be regarded as points on a Order curves for Bids and Offers respectively, where each Order curve is created by interpolating straight lines between the Orders on the curve. The point of intersection between the Offer and Bid curve establishes the Auction Price and an integer Energy Volume for that Delivery Hour.
- 4.1.2 Any imbalance between total Offers and total Bids caused by the rounding off of quantity for each Participant when calculating the Auction Price will be dispersed between Participants whose Orders are accepted in respect of the relevant Delivery Hour.
- 4.1.3 All Transactions in the Auction Market relating to one Delivery Hour will be carried out at the Auction Price applicable for that Delivery Hour. Bids with an Order Price which is lower than the Auction Price and Offers with an Order Price which is higher than the Auction Price will be discarded.

4.2 Matching of Flexible Hourly Offers and Block Orders

- 4.2.1 A Flexible Hourly Offer may be matched if the Order Price and volume criteria of the Flexible Hourly Offer are met in relation to the relevant Auction Price and Energy Volume. The priority between the different Flexible Hourly Offers shall be based on the Order Price of the Flexible Hourly Offer, with the lowest Order Price ranking first.
- 4.2.2 Block Orders are activated if they meet the criteria below:
 - a. A Block Order for sale is activated when and if the average Auction Price for the Delivery Hour comprised by the Block Order is equal to or higher than Order Price set forth in the Block Order. A Block Order for purchase is activated if the average Auction Price for the Delivery Hours comprised by the Block Order is equal to or lower than Order Price set forth in the Block Order. In addition, the submitted volume of the Block Order must be fulfilled.

- b. In case of equal (competing) Block Orders where not all Block Orders can be activated under 4.2.2 (a) above, the selection of activated Block Orders shall be based on (i) the difference between the Auction Price and the Order Price of the Block Order for the relevant Delivery Hours, with the Block Order(s) with lower difference ranking higher in priority; and (ii) the time of the registration of the Block Order in situations where the Order Prices are identical, with Block Orders submitted first ranking higher in priority.

4.2.3 In respect of "linked Block Orders" as specified in Section 3.3.2, the normal rules for activation of Block Orders in Section 4.2.2 applies. In addition, Block Orders which do not have the highest priority among the linked Block Orders will only be considered for activation when and if all the linked Blocks Orders with higher priority have been activated.

4.3 Procedure in Case of Non-Matching

4.3.1 If situations occur where a point of intersection between the purchase- and sales curve is not achieved ("non-matching"), the situation will be handled in the following order and otherwise in accordance to the prevailing procedure at such time as published by NPS with at least one (1) day prior notice:

- a. NPS will inform of the Delivery Hour(s) with non-matching, and a new Auction will be performed for the affected Delivery Day. In case of non-matching at the maximum price determined by the first Auction, each Participant may only adjust its Orders compared with the first Auction by increasing its sales Orders or decreasing its purchase Orders in the new Auction. In case of non-matching at the minimum price determined by the first Auction, each Participant may only adjust its Orders compared with the first Auction by decreasing its sales Orders or increasing its purchase Orders in the new Auction.
- b. If, following the procedure in Section 4.3.1 (a), a point of intersection between the purchase- and sales curve is still not achieved, then Block Orders that increase the need for curtailment in the market and that include the Delivery Hour where curtailment occur are excluded from the Auction Price calculation, and such Block Orders are rejected in their entirety.
- c. If, following the procedure in Section 4.3.1 (b), a point of intersection between the purchase- and sales curve is still not achieved, then NPS will deduct Orders on a pro rata basis until a point of intersection is achieved.

4.3.2 If the purchase- and sales curves do not intersect on any point, the Auction Price will be set to the mid-value of the Spread. In the event that no Spread is registered, NPS will on a best effort basis determine an Auction Price based on information available from Transactions in other relevant Physical Products or Product Series, including OTC Transactions submitted for Clearing.

5. REPORTS

5.1 Price Report

- 5.1.1 When the Auction Price has been calculated, NPS shall inform the Participant of its calculated purchase/sale in a Price Report to the Participant on the day preceding the day for which the Auction Price is given.
- 5.1.2 The Price Report specifies the Auction Price and Energy Contract Volume for each Delivery Hour in which Order(s) have been made.
- 5.1.3 The Price Report will normally be made available to Participants within fifteen (15) minutes following the completion of the Auction. If the Price Report is delayed, NPS shall give the Participants notice of such delay as soon as possible.

6. HANDLING OF ERRORS

6.1 Errors Made by NPS

- 6.1.1 If a Participant wishes to claim errors caused by NPS' handling of an Order, the Participant must notify NPS immediately, and in any event no later than 10:30 on the day of the relevant Auction.
- 6.1.2 Error complaints in accordance with Section 6.1.1 should be as precise and detailed as possible, and must reasonably enable NPS to accurately identify the relevant Order.
- 6.1.3 Inadequate or late complaints will bar the Participant from raising the complaint against NPS. If a valid complaint has not been received by the end of the complaint period as set out in Section 6.1.1, the Price Report transmitted will be regarded as final and binding for the quantities specified in the Price Report, notwithstanding any error.
- 6.1.4 Upon receipt of a valid and due complaint in accordance with Sections 6.1.1 and 6.1.2, NPS shall review the complaint as soon as possible and immediately inform all Participants that an error claim has been received. If the claim is approved by NPS, the Participant will receive a corrected Price Report at such time as is set out in the Trading Schedule for the applicable Auction.
- 6.1.5 If the correction of an error is of consequence for the Auction Price, NPS will review whether a recalculation of the Auction Price based on the corrected Order is possible, taking into consideration *inter alia* its ability to comply with any obligations related to Auction Closure. Any recalculation of the Auction Price will take place according to the procedure set out in Section 4 above as applicable, and NPS shall send corrected Price Reports to all Participants affected at such time as is set out in the Trading Schedule for the applicable Auction.
- 6.1.6 If transmission of the Price Report is delayed, the affected Participant(s) shall be granted an extra thirty (30) minutes to submit notice of error, calculated from the time when the Price Report was actually published by NPS. In such events, NPS has one (1) hour to resend a corrected Price Report from the end of the said (30) minutes period, and the Participant(s) shall have another thirty (30) minutes to submit any notices of error in respect of the corrected Price Report from the time of its publication.

6.2 Other Errors

- 6.2.1 If the Participant becomes aware of errors in Order(s) which are not caused by NPS, the Participant shall notify NPS immediately of such errors.
- 6.2.2 NPS shall have no obligations in case of errors which are not caused by NPS, but will in its sole discretion review whether any measures can be taken in order to avoid or mitigate any potential losses of the Participant without conflicting with the Auction Price and the interests of the market, other Participants, or any obligations of NPS and/or the Clearinghouse.

7. AUCTION DELAY OR FAILURE

- 7.1.1 If NPS is delayed in performing an Auction, NPS shall inform Participants through the ETS or via e-mail with 30 (thirty) minute intervals starting from the first 30 (thirty) minutes of delay, until such time as the Auction is either successfully completed or Auction failure as set out in Section 7.1.3 occurs.
- 7.1.2 If NPS is delayed by more than 90 minutes in performing an Auction, Participants having already submitted Orders to that Auction will, with at least 20 (twenty) minutes notice from NPS, be given the option to resubmit their Orders before the Auction is run.
- 7.1.3 If NPS is unable to commence a successful Auction within 12:00 on the day of Auction Closure for the relevant Auction due to technical failure or a Force Majeure Event, the Auction will be deemed to have failed and the Auction and all Orders to the Auction will be

cancelled.

- 7.1.4 NPS will inform Participants immediately of Auction failure as set out in Section 7.1.3, and may in such circumstances also take such reasonable actions as it deems necessary to manage the continued operation of the Physical Market in light of the Auction failure.
- 7.1.5 In case of Auction failure, a synthetic Auction Price will be determined by NPS on a best effort basis based on information available from Transactions in other relevant Physical Products or Product Series, including OTC Transactions submitted for Clearing, but no Transactions will be matched based on the synthetic Auction Price.

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