

Release Note

19 December 2011

Changes to the N2EX Rulebook effective from 2 January 2012

General

The N2EX trading rules and clearing rules (physical market) have been updated with effect from Monday 2nd January 2012.

The highlights of the changes are as follows:

- Gross Bidding on the auction market is introduced
- Information sharing provisions are introduced
- Force majeure provisions have been somewhat amended
- Trade information IPR provisions have been simplified
- Provisions relating to collateral arrangements have been clarified and some additional requirements have been added in respect of collateral from certain closely related parties and in relation to credit events affecting collateral providers
- Automated cash settlements (direct debit) is now included in the legal framework
- Rules relating to default of Client Representatives and porting of Clearing Clients have been amended

The following rulebook documents are affected:

- Trading Rules – General Terms
- Clearing Rules – General Terms
- Joint Appendix 1 – Definitions
- Joint Appendix 7 – Fee Schedule
- Trading Appendix 2a – Prompt Market Regulations
- Trading Appendix 2c – Spot Market Regulations

In addition, Trading Agreement 2 – Gross Bidding Agreement and Clearing Agreement G – Cash Settlement Instructions have been introduced. Annexes 1 and 2 to the membership agreements have been updated. The changes to the agreements and annexes do not affect current arrangements but the new templates will come into use immediately.

Trading Rules – General Terms

The provisions of Section 5 regarding market makers has been replaced with provisions relating to Gross Bidding. Trading Agreement 2 – Gross Bidding Agreement also replaces the current Market Maker Agreement. - Eligible participants in the auction market have the opportunity to apply for status as Gross Bidding Participants, entailing a significantly reduced trading and clearing fee for their internal volumes when submitted to the auction. A new Trading Agreement 2 – Gross Bidding Agreement has been introduced and replaced the current Market Maker Agreement. -The market maker concept for the continuously traded markets (spot and prompt) has been removed throughout the rulebooks, as there has been little interest in the current market maker concept. A revised market maker concept might be introduced at a later time.

Section 11.5 relating to liability for fraud or personal injury or death caused by negligence has been made mutual.

The provisions of Section 13.2 regarding Proprietary Rights to Transaction Information have been significantly simplified, although no substantial changes are intended. It has been clarified that Transaction Information may be shared with third parties assisting the participant in its trading operations. Corresponding changes have been made to the Clearing Rules.

A new Section 15 has been added, allowing NPS to enter into information sharing arrangements with other market operators, clearing organizations and authorities for the purposes of market surveillance or other regulatory functions.

Other minor and editorial amendments have been made throughout; the numbering on several sections have for example been renumbered from tree to two levels (e.g. from 1.1.1 to 1.1)

Clearing Rules – General Terms

Section 5.3.3 introduces provisions relating to automated cash settlements (direct debit). Participants wishing to utilize such facilities should contact the clearinghouse and must issue a notice based on the new Clearing Agreement G – Cash Settlement Instructions.

Sections 5.4.3 through 5.4.6 relating to collateral arrangements have been amended. The changes are partly a clarification of existing rules and partly new provisions. The changes are partly a consequence of questions received in respect of the current provisions, and also to ensure that all collateral placed towards the clearinghouse is independent of the account holder and that the clearinghouse has adequate remedies against credit events relating to collateral providers. Section 12.7 relating to insolvency of a collateral provider or a settlement bank has been deleted as it is deemed redundant with the new provisions.

Section 12.1.1 d) has been amended to also include Insolvency Events affecting parent companies as a “default event”. Whether such an event constitutes a material default is still subject to section 12.1.2 b).

Sections 12.3 and 12.4 relating to the default of Client Representatives and Clearing Clients (respectively) have been modified. Section 12.3.5 describes an amended procedure for porting of Clearing Clients.

Section 13.1 regarding force majeure have been amended. Sections 13.1.2 and 13.1.3 are new, and inter alia enables the clearinghouse to declare a state of general force majeure in case of force majeure events affecting a significant portion of the market participants.

Section 15 has been simplified and section 16 is new. Please see comments to the Trading Rules – General Terms.

Joint Appendix 1 – Definitions

New definitions have been introduced for e.g. Gross Bidding Participant and Cash Settlement Instructions. A few of the existing definitions have been slightly modified for clarification purposes. No substantial amendments are intended.

Joint Appendix 7 – Fee Schedule

A Gross Volume Fee has been introduced and will apply to Gross Bidding Participants only. Otherwise not changes. Trading Appendix 2a/2c – Prompt/Spot Market Regulations
References to a “Market Maker Spread” in Section 3.1.3 have been removed, ref above.

Annex 1 and 2 to the membership agreements

The annexes have been detached from the agreement templates and have been revised based on feedback from operations and members.

For further information, please contact N2EX:

Eivind Grimsø Moe, Associate General Counsel, NASDAQ OMX Commodities,
phone +47 9112 0355

Press contacts:

Sara Aadnesen, Director Communication, NASDAQ OMX Commodities, phone +47 9060 0759

About N2EX

N2EX is the name of the UK power market offering from Nord Pool Spot and NASDAQ OMX Commodities. NASDAQ OMX Clearing is the authorized clearinghouse.

The web site, www.n2ex.com, provides market information and documentation for the UK power market.

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