

## Recent changes to the certain Principles and Procedures regarding the Balancing and Settlement Market

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Energy Market Regulatory Authority Decisions No. 7042-5 and 7042-6, both dated 20 April 2017 (the “Amending Decisions”), were published in the Official Gazette No. 30051, dated 28 April 2017, and introduced certain amendments in relation to two important instruments of the balancing and settlement market which are the Procedures and Principles Relating to the Structure and Assessment of Day-Ahead Market Bids<sup>1</sup> (the “Day-Ahead Market Procedures and Principles”) and the Security Procedures and Principles<sup>2</sup>. The most important changes can be summarized as follows:

### Amendments to the Day-Ahead Market Procedures and Principles

- Prior to the Amending Decisions, Article 6(4) of the Day-Ahead Market Procedures and Principles required block offers to cover a minimum of four consecutive hours. The Amending Decisions decrease this minimum time period to three hours.
- The Amending Decisions increased the number of the block offers which can be submitted at three levels of depth. While only one block offer could have been submitted at each of the three levels prior to the Amending Decisions, now a maximum of three block offers can be submitted at the second and third levels provided that the number of the block offers connected to each other, including the first level block offer, does not exceed six block offers in total.

### Amendments to the Security Procedures and Principles

- The Amending Decisions removed the requirement to submit 25% of the initial security (*başlangıç teminatı*) amount in cash. Having said that, the minimum cash security requirement is still applicable for the securities to be provided within the scope of the day-ahead and intra-day activities.

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<sup>1</sup> Published in the Official Gazette No. 29725 and dated 28.05.2016

<sup>2</sup> Published in the Official Gazette No. 29725 and dated 28.05.2016

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- With the Amending Decisions, an additional security control on each business day has been introduced for the day-ahead market. Accordingly, from now on the securities submitted for the day-ahead market will also be controlled at 5:00 p.m., in addition to the control that is conducted at 11:00 a.m, as in line with the procedure in the intra-day market. This means that the market participants will be required to complete the additional securities within the same day at the 5:00 p.m. security control, instead of at the 11:00 a.m. control to be conducted on the following day.
  - The security amount to be taken into account for the required security calculations made on the day before weekends and/or official holidays in the day-ahead and intra-day markets has also been amended by the Amending Decisions. With this amendment, while making the required security calculations for the second and following days of weekends or official holidays and, with respect to the day-ahead market, for the first business day following those holidays, the minimum cash security and total security amounts which are announced by Enerji Piyasaları İşletme A.Ş. (*Market Operator*) on the day before the weekends or official holidays at 2:30 p.m. shall be taken into consideration instead of the total security amount calculated at the 11:00 a.m. security control.
  - It has been determined in the Amending Decisions that the days during which İstanbul Takas ve Saklama Bankası A.Ş. (*Takasbank, the central settlement institution*) does not provide exchange or security management services will be accepted as a “holiday”. It is, however, unclear whether the regulations regarding the weekends and/or official holidays will also be applicable to those days.
  - The Amending Decisions introduced additional sanctions regarding bilateral agreements in case of default in meeting the required security amounts for the day-ahead and intra-day market activities. According to this amendment, the market participants at the selling side, who do not complete the required security amounts at the 11:00 a.m. security control (for weekends and/or official holidays at the 5:00 p.m. security control to be conducted on the business day before the weekend and/or official holiday) will not be allowed to submit any new bilateral agreement notifications, and all of their prospective bilateral agreement notifications that have already been made will be cancelled. Prior to the Amending Decisions, those sanctions were imposed only in case of the insufficiency of the initial security and additional security (*ek teminat*) amounts.
  - Prior to the Amending Decisions, the Security Procedures and Principles provided that the additional security determined on risk basis, was to be used as a component for the calculations of the total security requirement amount on the third business day following its notification to the relevant participant. However, with the relevant amendment, such additional securities shall be taken into account for the total security calculation on the same day when the participant is notified. Although the three-day time period for application of the relevant sanctions (*i.e.*, deletion of all eligible consumer records) still remains as it is, since the relevant additional security amounts will be accepted as the component of the total security commitment for day ahead and intra-day market on day one, any failure to provide those additional securities shall trigger the application of additional sanctions that are mentioned in the above item.

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