

## ■ Termination of clearing services for Powernext markets

### Announcement

As already communicated by Powernext to its trading members in October 2008 and last Friday, the clearing of all French power contracts (Day-Ahead and Futures) will be transferred from LCH.Clearnet SA to European Commodity Clearing AG (ECC) on April 1<sup>st</sup> 2009 (under the condition that all members are ready and pending on regulatory approval). In order to ensure a transparent transition for its members, LCH.Clearnet SA has set up a dedicated project team which cooperates and coordinates the migration with Powernext.

The aim of this general information is to provide all necessary information to avoid disruptions in your operations during this migration.

All LCH.Clearnet SA clearers on Powernext markets will be impacted by this migration including those which would not have started their activities on Powernext.

- All Powernext Futures clearers, including those which would not have open positions recorded, will need to imperatively sign and return the document called "Deed of transfer".

Depending on your current membership situation as a clearer on Powernext<sup>®</sup> Day-Ahead and/or on Powernext<sup>®</sup> Futures, the process to terminate the Master agreement and/or the Admission Agreement and the relevant Operating rules, may slightly differ. The following details will help you in listing appropriate actions you may have to undertake depending on the Powernext markets on which you are registered.

We hereafter assume the last trading date for Powernext markets cleared by LCH.Clearnet SA being the 31<sup>st</sup> March 2009. The dates given in this document (*in blue*) should consequently be considered as open business days relative dates only compared to the 31<sup>st</sup> March 2009.

The official calendar will be confirmed at the beginning of next year.

A synthesis of all treasury flows and corresponding dates is to be found at the end of this document.

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# Termination of agreements with LCH.Clearnet SA

As of the clearing migration date, all transactions on the French power Day-Ahead and Futures contracts will be cleared through ECC clearers (directly or indirectly). Individual clearers within LCH.Clearnet SA membership will not be ECC clearers then they shall have contractual relationship with an ECC clearer.

## Common items for both Powernext<sup>®</sup> Day-Ahead & Powernext Futures clearers

### Membership impacts

As of the 12<sup>th</sup> of January 2009, LCH.Clearnet SA will not be able to approve Powernext<sup>®</sup> Day-Ahead and Powernext Futures new clearers anymore (Black-window). Only demands (complete file) received before the 19<sup>th</sup> of December 2008 will be treated by the membership department for an effective launch before the end of January 2009.

### Risks & Treasury impacts

- The last trading day is the day D (*Tuesday 31<sup>st</sup> of March 2009 in our example*) in month M (*March*),
- The last settlement day is the day D+1 (*Wednesday 1<sup>st</sup> of April 2009*) for Powernext<sup>®</sup> Day-Ahead.

In order to accelerate the treasury flow the clearers shall maintain their collateral in euros.

For the clearers using the services of a paying agent (PR/PDSE contract), it is preferable to maintain its use until the end of the migration process in order to cover potential flows between parties.

## Specificities for Powernext<sup>®</sup> Day-Ahead clearers

### Legal and Membership impacts

From the 1<sup>st</sup> January 2009, Powernext Day-Ahead will transfer its trading activities on Powernext Day-Ahead markets to the new European entity EPEX SPOT SE. Therefore, in the Master Agreement that had been signed between our two companies, any reference to Powernext shall be understood as referring to EPEX SPOT SE.

For the avoidance of doubt, all margin calls documents issued by LCH.Clearnet SA will still be issued with a reference to Powernext Day Ahead market and no modification will occur on these margin calls documents.

As a clearer of Powernext<sup>®</sup> Day-Ahead, authorized representatives of your company will have to send to LCH.Clearnet SA a termination notice of Powernext<sup>®</sup> Day Ahead Master Agreement (a template model of the letter is enclosed). The Membership termination will occur at the completion of all clearers' obligations.

The original copy of this termination notice needs to be duly signed and sent by mail to the LCH.Clearnet SA membership Department before the end of February 2009 at the latest.

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## Risks & Treasury impacts

- The trading and clearing fees (plus the VAT on trading and clearing fees) will be paid on D+1 (*Wednesday 1<sup>st</sup> of April 2009, first open business day of month M+1*) for all transactions of the preceding month (*March 2009*).
- The initial margin will be refunded on D+2 (*Thursday 2<sup>nd</sup> of April 2009, second open business day of M+1*) following the fees reception on D+1 (*Wednesday 1<sup>st</sup> of April 2009*).
- If some remaining fees have to be paid, the minimum of initial margin at 50,000 euros will be kept (initial margin coefficient at 1).
- A “statement of account”<sup>1</sup> will be paid on D+3 (*Friday 3<sup>rd</sup> of April 2009, third open business day of M+1*).
- At the time of the resignation of Powernext Day-Ahead by the clearer, another “statement of account” will be paid: *Wednesday 6<sup>th</sup> of May 2009* (third open business day of M+2) at the latest.

## Specificities for Powernext<sup>®</sup> Futures clearers

### Membership impacts

If the clearer does not have any open positions to transfer to ECC or if the clearer decides to terminate its membership, then the clearer, through the authorized representatives of its company, will have to send to LCH.Clearnet SA a legal termination notice (a template model of the letter is enclosed)

The original copy of this termination notice needs to be duly signed and sent by mail to the LCH.Clearnet SA membership Department before the end of February 2009 at the latest.

### Powernext Futures position transfer from LCH.Clearnet SA to ECC

Open positions on Powernext<sup>®</sup> Futures (except for positions in delivery during the month of the transfer date) will be transferred from LCH.Clearnet SA to ECC.

LCH.Clearnet SA Department of Operations will provide a file including the open positions on Futures to be transferred and to be booked by ECC in the clearer account opened within ECC clearing system.

In the process of migration of the open positions on Powernext<sup>®</sup> Futures, LCH.Clearnet SA commits to produce the file of the open positions to be transferred consistent with the open positions recorded in ECS clearing system. The integration of these open positions in the ECC clearing system is not under LCH.Clearnet SA responsibility.

- On D (Tuesday 31<sup>st</sup> of March 2009): prior to the transfer each clearer will receive a file with its open positions to be transferred to ECC.
- On D+1 (Wednesday 1<sup>st</sup> of April 2009, first open business day of M+1): the clearer shall notify LCH.Clearnet SA of any dispute related to its content, before the end of D+1 (*Wednesday 1<sup>st</sup> of April 2009, first open business day of M+1*).

For the avoidance of doubt, all the open positions that have not been disputed during this relevant business day and all the open positions that have been disputed during

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<sup>1</sup>The statement of account is made up of the interest on Cash deposit paid by LCH.Clearnet SA to the clearer or/and the fees on Securities deposit paid by clearer to LCH.Clearnet SA (5 BP).

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this business day verified and/or corrected if any shall be deemed to be accepted by the clearer.

- **On D+2** (*Thursday 2<sup>nd</sup> of April 2009, second open business day of M+1*), LCH.Clearnet SA will transfer to ECC all the open positions

To ensure a safe handling of the position transfer, all clearers need to sign the document called "Deed of transfer" which organised the transfer of open positions between LCH.Clearnet SA, ECC, Powernext SA and the new "ECC clearer" for the individual clearer, if any.

A template model of this document will be provided shortly to all Powernext<sup>®</sup> Futures clearers (one related to individual clearer or one related to general clearer).

## Risks & Treasury impacts

### *Future contracts without positions to be delivered during the month*

- **On D+1** (*Wednesday 1<sup>st</sup> of April 2009, first open business day of M+1*): the trading and clearing fees on Futures contracts will be paid for all transactions of the preceding month (*March 2009*)
- **On D+3** (*Friday 3<sup>rd</sup> of April 2009*): the initial margin on Future positions will be refunded, (*third open business day of M+1*).

If there is a delay in the transfer of the positions, the initial margin has to be called until the total transfer of the positions.

### *Positions with contracts in delivery during the month*

The delivery of the positions *April 2009 contract* will be performed until the end of M+1 (*Thursday 30<sup>th</sup> of April 2009*).

The initial margin on Future positions will be refunded on D+3 of M+1 (*Friday 3<sup>rd</sup> of April 2009*). The initial margin on delivery positions will be called until the end of M+1 (Thursday 30th of April 2009); final return will be done on the first open business day of M+2 (Monday 4th of May 2009).

The VAT fees will be called the first open business day of M+2, (*Monday 4<sup>th</sup> of May 2009*).

### *Clearing Fund*

The clearing fund contribution has to be called until the end of the delivery period.

The clearing fund contribution can be refunded the fourth open business day following the end of the delivery period (*Thursday 7<sup>th</sup> May 2009, fourth open business day of M+2*) as the normal re-evaluation of the Clearing Fund dedicated to Powernext Futures.

At the time of the resignation of Powernext Futures by the clearer, another "statement of account" will be paid (*Wednesday 3<sup>rd</sup> June 2009*).

## Testing period

In order to facilitate the migration, a testing period will take place at least one month before the migration date (the testing period will be set out as soon as the migration date is determined by Powernext SA).

These tests will be performed on testing platform with identical data that will be carried out on the production environment at the migration period.

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# Treasury Cash flow synthesis

Relative date	Date (for illustration purpose only)	Market event	Clearing event
D	Tuesday 31 March 2009	Last trading on Powernext Day-Ahead and Futures	Open position file sent to each clearer
D+1	Wednesday 1 April 2009	Last settlement on Powernext Day-Ahead	Payment of trading and clearing fees Notification of any dispute related to the Open position files
D+2	Thursday 2 April 2009	Transfer of Powernext Futures position	Initial Margin of Powernext Day-Ahead return Open position file sent to ECC by LCH.Clearnet SA
3 <sup>rd</sup> OBD* of M+1	Friday 3 April 2009		Payment of statement of account Initial Margin on futures positions of Powernext Futures return
....	....	Resignation of Powernext Day-Ahead clearer	Payment of statement of account
last day of M+1	Thursday 30 April 2009	Last settlement on Powernext Futures	
1 <sup>st</sup> OBD of M+2	Monday 4 May 2009		VAT fees Initial Margin on delivery positions of Powernext Futures return
3 <sup>rd</sup> OBD of M+2	Wednesday 6 May 2009		Payment of statement of account
4 <sup>th</sup> OBD of M+2	Thursday 7 May 2009		Clearing Funds contribution return
....	....	Resignation of Powernext Futures clearer	Payment of statement of account
3 <sup>rd</sup> OBD of M+3	Wednesday 3 June 2009 or before		Payment of statement of account

Legend: only Powernext Day-Ahead  
 only Powernext Futures  
 (\*) OBD: Open business day

## Next steps

To facilitate the vision of the migration project, LCH.Clearnet SA will communicate with clearers on a regular basis.

The following subjects will be dealt in the following weeks:

- Deployment of deed of transfer (for Powernext futures clearers only)
- Communication on the effective migration date: as soon as Powernext decides on the migration date, LCH.Clearnet SA will update its migration process calendar and will inform all Powernext clearers
- Test: the testing period as well as the testing approach will be communicated by LCH.Clearnet SA following Powernext decision on migration date (the tests should happen no later than one month before the effective migration)

## Useful contacts

For any general questions you may have on the process of termination of clearing services for Powernext Markets, please contact or address any correspondence to your LCH.Clearnet SA Energy account manager:

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