



Excerpt from the minutes of the meeting of the Risk Committee of IRGiT on 5 September 2019

Attendees:

Committee Members:

1. Tomasz Wieczorek – Committee Chairman, Representative of IRGiT
2. Leszek Prachniak – Committee Member, Representative of Towarowa Giełda Energii S.A. (Polish Power Exchange)
3. Olga Dzilińska-Pietrzak – Committee Member, Representative of Izba Energetyki Przemysłowej i Odbiorców Energii (Polish Chamber of Industrial Energetics and Energy Customers)
4. Katarzyna Piłat – Committee Member, Representative of Izba Gospodarcza Gazownictwa (The Chamber of the Natural Gas Industry)
5. Robert Sikorski – Committee Member, Representative of Towarzystwo Gospodarcze Polskie Elektrownie (Polish Power Plants Association)
6. Arkadiusz Wronka – Committee Member, Representative of Towarzystwo Obrotu Energią (The Association of Energy Trading)
7. Iwona Ustach – Committee Member, Representative of Izba Domów Maklerskich

Invited guests:

8. Krzysztof Borowiec – Representative of Towarzystwo Obrotu Energią (The Association of Energy Trading)
9. Katarzyna Matuszewska – Representative of Izba Domów Maklerskich
10. Janusz Kurzak – Representative of the European Federation of Energy Traders
11. Łukasz Goliszewski – Vice-President of the IRGiT Management Board
12. Katarzyna Pachowska – Director of the IRGiT Legal Department
13. Łukasz Grządka – IRGiT Risk Management Expert

The meeting was presided over by the Committee Chairman.

Course of the meeting:

1. The Committee was familiarized with the status of implementation of the Committee's recommendations from previous meetings. In particular, Committee Members were familiarized with the amendments regarding the resolution on non-cash collaterals and progress regarding cooperation with an external legal advisor. Committee Members were asked to email their comments on the default management procedure testing script being prepared by IRGiT.
2. The Committee was familiarized with a report of the IRGiT Risk Management Department presenting selected statistics regarding the area of collaterals and risk management in IRGiT as at 1 September 2019, including: total value of the required collaterals, structure of the collaterals lodged and statistics regarding the volatility level for yearly contracts.
3. Representatives of IRGiT's external advisor responsible for the work on the implementation of new margin netting capabilities presented the impact of the planned initial margin netting mechanisms on the security of the clearing guarantee system and results of historical

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verification pertaining to adopted models. After becoming familiar with the impact of the netting mechanisms on the clearing guarantee system, the Committee recommended adoption and implementation of the netting mechanisms in IRGiT.

4. Committee Members were familiarized with IRGiT's proposal regarding the security of SPOT markets, including XBID. Having analyzed the benefits following from the proposed solution, the Committee recommended implementing a combined guarantee fund model for forward and SPOT markets (including XBID) for electricity and gas. The Committee's positive opinion regarding the presented collateral model was based on the realistic possibility of reduction of the costs incurred on account of the Guarantee Fund, also for the Clearing House Members operating only the futures energy market or only on the gas futures market. Committee Members accepted the Clearing House's plans regarding introduction of the possibility of payment of some of the contributions to the guarantee fund in the form of bank guarantees.
5. The Committee Members were familiarized with the planned opening of a credit facility as an additional liquidity support for the clearing guarantee system.
6. The Committee was familiarized with the proposed concept of netting of the value of transactions concluded via SAPRI (market coupling) and concluded via X-Stream Trading on the Day-Ahead Market for the purpose of calculation of the historical margin. The Committee recommended implementation of the presented transaction value netting model to reduce the requirements regarding historical margins.
7. Committee Members were familiarized with the conclusions from the analysis in the document entitled "Discussion paper on central counterparty default management actions-CMPI-IOSCCO". The Committee Chairman presented the possible solutions regarding improvement of the efficiency of the auction of the position of an insolvent Clearing House Member. The Committee recommended analyzing again the possible effects of informing about the default of a Clearing House Member in each case. Committee Members were also in favor of presentation of the concept of operation of the "Default Management Group" responsible for mandatory participation in the closing of the position of an insolvent member and making decisions on the necessity to inform the market about the occurrence of a default.
8. Committee Members did not submit any comments to the presented proposed amendments to the ECH Regulations, which pertained to the Agricultural Market, netting of initial margins, possibility of lodging non-cash collaterals to the guarantee fund, credit facility, and the possibility of establishing a guarantee fund securing also SPOT markets (including XBID).
9. Committee Members were familiarized with the identified risks of lack of automatic transfer from the Commodity Forward Instruments Market to OTF.
10. The Committee was familiarized with the status of work on inclusion, in the IRGiT regulations, of the provisions on the default of the Clearing House, which result from the need reported by one of the Clearing House Members. The Committee recommended analyzing the standards of the European Federation of Energy Traders pertaining to the question of counterparty default.

The date of the next Committee meeting was set for 11 December 2019.

For more information on the Risk Committee see: <https://www.irgit.pl/en/risk-committee>