Resolution no. 65/14/03/2019
adopted by the Management Board of the Warsaw Commodity Clearing House
(Izba Rozliczeniowa Giełd Towarowych S.A.)
dated 1st March 2019
to determine the rules for set-off of initial margins and rules for set-off of additional
margins for Power Group Members

The Management Board of the Warsaw Commodity Clearing House (IRGiT) acting pursuant to § 39 Section 7 of the Regulations of the Exchange Clearing House (Commodity Market) has resolved as follows:

§ 1

1. The set-off of the margins referred to in § 39 Section 7 of the Regulations of the Exchange Clearing House (Commodity Market) for a Power Group as defined in these regulations is conditional upon submission of a set-off application by Power Group entities ("Set-off Participants") and conclusion of an Agreement by and between IRGiT and all Set-off Participants, defining the rules for establishing financial collateral for the Power Group.

2. Margin set-off is applied according to the rules laid down in a separate resolution adopted by the IRGiT Management Board defining the rules for calculation of collateral margins for the given Power Group according to the algorithms described in § 2 - § 5a below.

§ 2
Set-off of initial margins for forward contracts for electricity

1. For each *j* period of delivery established in each of the electricity delivery profiles being cleared (BASE, PEAK, OFFPEAK), the aggregate position of each Set-off Participant is calculated as:

$$LN_{i,j} = \left(LK_{i,j} - LS_{i,j} \right)$$

Where:
$LN_{i,j}$ – net energy volume in the *j* period of delivery [MWh] found in the *i* Set-off Participant's portfolio,
$LK_{i,j}$ – energy volume in purchase contracts for the *j* period of delivery [MWh] found in the *i* Set-off Participant's portfolio,
$LS_{i,j}$ – energy volume in sales contracts for the *j* period of delivery [MWh] found in the *i* Set-off Participant's portfolio.

2. For each *j* period of delivery established in each of the electricity delivery profiles being cleared, the aggregate position of all Set-off Participants (position of the Power Group) is calculated as:

$$LN_j = \sum_i LN_{i,j}$$

Where:
$LN_{i,j}$ – net energy volume in the *j* period of delivery [MWh] in total found in the Set-off Participants' portfolios (position of the Power Group),
$LN_{i,j}$ – net energy volume in the *j* period of delivery [MWh] found in the *i* Set-off Participant's portfolio.

3. If for the given *j* period of delivery the position of the Power Group LN_j is non-negative (negative) then, for each *i* Set-off Participant who holds a negative (non-negative) position, a surplus on initial margins is calculated for the respective *j* period of delivery:

$$NW_{i,j} = -Dw_{i,j} * 80\%$$

Where:

$Dw_{i,j}$ – initial margin of the *i* Set-off Participant holding a negative (non-negative) position, determined on the basis of the Detailed Clearing Rules for the energy in the *j* period of delivery [MWh] found in the *i* Set-off Participant's portfolio,
$NW_{i,j}$ – surplus on the initial margins for the *j* period of delivery assigned to the *i* Set-off Participant holding a negative (non-negative) position.

4. If for the given *j* period of delivery the position of the Power Group LN_j is non-negative (negative) then, *i* Set-off Participants who hold a non-negative (negative) position in such period of delivery, are assigned a surplus on initial margins for the respective *j* period of delivery according to the following formula:

$$NW_{i,j} = \frac{LN_{i,j}}{\sum_n LN_{n,j}} * \sum_m NW_{m,j}$$

Where:

$NW_{i,j}$ – surplus on the initial margins for the *j* period of delivery assigned to the *i* Set-off Participant holding a non-negative (negative) position,
$LN_{i,j}$ – net energy volume in the *j* period of delivery [MWh] found in the portfolio of the *i* Set-off Participant holding a non-negative (negative) position,
$\sum_n LN_{n,j}$ – net energy volume in the *j* period of delivery [MWh] found in the portfolio of all *n* Set-off Participants holding a non-negative (negative) position,
$\sum_m NW_{m,j}$ – total surplus on the initial margins for the *j* period of delivery assigned to all *m* Set-off Participants holding a negative (non-negative) position.

5. For all *i* Set-off Participants, the initial margin being set off is calculated according to the following formula:

$$Dwk_{i,EE} = Dw_{i,EE} + \sum_j NW_{i,j}$$

Where:

$Dwk_{i,EE}$ – the initial margin required from the *i* Set-off Participant for forward contracts for electricity being cleared, after the set-off,
$Dw_{i,EE}$ – the initial margin calculated for the *i* Set-off Participant for forward contracts for electricity being cleared, based on the Detailed Clearing Rules,
$NW_{i,j}$ – surplus on the initial margins for the *j* period of delivery assigned to the given *i* Set-off Participant.

§ 3
Set-off of initial margins for forward contracts for gas

1. For each j period of delivery established in each of the products involving gas deliveries being cleared, the aggregate position of each Set-off Participant is calculated as:

$$LN_{i,j} = \left(LK_{i,j} - LS_{i,j}\right)$$

Where:
$LN_{i,j}$ – net gas volume in the j period of delivery [MWh] found in the i Set-off Participant's portfolio,
$LK_{i,j}$ – gas volume in purchase contracts for the j period of delivery [MWh] found in the i Set-off Participant's portfolio,
$LS_{i,j}$ – gas volume in sales contracts for the j period of delivery [MWh] found in the i Set-off Participant's portfolio.

2. For each j period of delivery established in each of the products involving gas deliveries being cleared, the aggregate position of all Set-off Participants (position of the Power Group) is calculated as:

$$LN_j = \sum_i LN_{i,j}$$

Where:
$LN_{i,j}$ – net gas volume in the j period of delivery [MWh] in total found in the Set-off Participants' portfolios (position of the Power Group),
$LN_{i,j}$ – net gas volume in the j period of delivery [MWh] found in the i Set-off Participant's portfolio.

3. If for the given j period of delivery the position of the Power Group LN_j is non-negative (negative) then, for each i Set-off Participant who holds a negative (non-negative) position, a surplus on initial margins is calculated for the respective j period of delivery:

$$NW_{i,j} = -Dw_{i,j} * 80\%$$

Where:

$Dw_{i,j}$ – initial margin of the i Set-off Participant holding a negative (non-negative) position, determined on the basis of the Detailed Clearing Rules for the gas volume in the j period of delivery [MWh] found in the i Set-off Participant's portfolio,
$NW_{i,j}$ – surplus on the initial margins for the j period of delivery assigned to the i Set-off Participant holding a negative (non-negative) position.

4. If for the given j period of delivery the position of the Power Group LN_j is non-negative (negative) then, i Set-off Participants who hold a non-negative (negative) position in such period of delivery, are assigned a surplus on initial margins for the respective j period of delivery according to the following formula:

$$NW_{i,j} = \frac{LN_{i,j}}{\sum_n LN_{n,j}} * \sum_m NW_{m,j}$$

Where:

$NW_{i,j}$ – surplus on the initial margins for the j period of delivery assigned to the i Set-off Participant holding a non-negative (negative) position,
$LN_{i,j}$– net gas volume in the j period of delivery [MWh] found in the portfolio of the i Set-off Participant holding a non-negative (negative) position,
$\sum_n LN_{n,j}$ – net gas volume in the j period of delivery [MWh] found in the portfolio of all n Set-off Participants holding a non-negative (negative) position,
$\sum_m NW_{m,j}$ – total surplus on the initial margins for the j period of delivery assigned to all m Set-off Participants holding a negative (non-negative) position.

5. For all i Set-off Participants, the initial margin being set off is calculated according to the following formula:

$$Dwk_{i,G} = Dw_{i,G} + \sum_j NW_{i,j}$$

Where:

$Dwk_{i,G}$ – the initial margin required from the i Set-off Participant for forward contracts for gas being cleared, after the set-off,
$Dw_{i,G}$ – the initial margin calculated for the i Set-off Participant for forward contracts for gas being cleared, based on Detailed Clearing Rules,
$NW_{i,j}$ – surplus on the initial margins for the j period of delivery assigned to the given i Set-off Participant.

§ 4
Set-off of initial margins for forward contracts for Property Rights under Certificates of Origin

1. For each of the series of j forward contracts for Property Rights under Certificates of Origin, the aggregate position of each Set-off Participant is calculated as:

$$LN_{i,j} = \left(LK_{i,j} - LS_{i,j}\right)$$

Where:
$LN_{i,j}$ – volume of forward purchase contracts for Property Rights under Certificates of Origin in the j series [MWh] found in the i Set-off Participant's portfolio,
$LK_{i,j}$ – volume of forward sales contracts for Property Rights under Certificates of Origin in the j series [MWh] found in the i Set-off Participant's portfolio,
$LS_{i,j}$ – volume of net forward contracts for Property Rights under Certificates of Origin in the j series [MWh] in total found in the i Set-off Participant's portfolio.

2. For each of the series of j forward contracts for Property Rights under Certificates of Origin, the aggregate position of all Set-off Participants (position of the Power Group) is calculated as:

$$LN_j = \sum_i LN_{i,j}$$

Where:

LN_j– volume of net forward contracts for Property Rights under Certificates of Origin in the j series [MWh] in total found in the i Set-off Participants' portfolios (position of the Power Group),

$LN_{i,j}$ – volume of net forward contracts for Property Rights under Certificates of Origin in the j series [MWh] found in the i Set-off Participant's portfolio.

3. If for the given j series of contracts the position of the Power Group LN_j is non-negative (negative) then, for each i Set-off Participant who has a negative (non-negative) position, a surplus on initial margins is calculated for the respective j series of contracts:

$$NW_{i,j} = -Dw_{i,j} * 80\%$$

Where:

$Dw_{i,j}$ – initial margin of the i Set-off Participant holding a negative (non-negative) position, determined on the basis of the Detailed Clearing Rules for the forward contracts for Property Rights under Certificates of Origin in the j series [MWh] found in the i Set-off Participant's portfolio,

$NW_{i,j}$ – surplus on the initial margins for the j series of contracts assigned to the i Set-off Participant holding a negative (non-negative) position.

4. If for the given j series of contracts the position of the Power Group LN_j is non-negative (negative) then, i Set-off Participants who hold a non-negative (negative) position in the respective j series of contracts, are assigned a surplus on initial margins for the respective j series of contracts according to the following formula:

$$NW_{i,j} = \frac{LN_{i,j}}{\sum_n LN_{n,j}} * \sum_m NW_{m,j}$$

Where:

$NW_{i,j}$ – surplus on the initial margins for series j forward contracts for Property Rights under Certificates of Origin assigned to the i Set-off Participant holding a non-negative (negative) position,

$LN_{i,j}$– volume of net forward contracts for Property Rights under Certificates of Origin in the j series [MWh] found in the portfolio of the i Set-off Participant holding a non-negative (negative) position,

$\sum_n LN_{n,j}$ – volume of net forward contracts for Property Rights under Certificates of Origin in the j series [MWh] found in the portfolio of all i Set-off Participants holding a non-negative (negative) position,

$\sum_m NW_{m,j}$ – total surplus on the initial margins for the j series of contracts assigned to all m Set-off Participants holding a negative (non-negative) position.

5. For all *i* Set-off Participants, the initial collateral margin being set off is calculated according to the following formula:

$$Dwk_{i,PM} = Dw_{i,PM} + \sum_j NW_{i,j}$$

Where:

$Dwk_{i,PM}$ – the initial margin required from the *i* Set-off Participant for forward contracts for Property Rights under Certificates of Origin being cleared, after the set-off,

$Dw_{i,PM}$ – the initial margin calculated for the *i* Set-off Participant for forward contracts for Property Rights under Certificates of Origin being cleared, based on Detailed Clearing Rules,

$NW_{i,j}$ – surplus on the initial margins for the *j* series of contracts assigned to the given *i* Set-off Participant.

§ 5
Set-off of additional margins
(if the Power Group selects the option of utilizing the surplus in accordance
with the agreed sequence)

1. The margin requirements of the Set-off Participant before the set-off on account of a surplus on additional margins are calculated as:

$$Dz_i = Min(Dwk_{i,EE} + Dwk_{i,G} + Dwk_{i,PM} + Du_{i,EE} + Du_{i,G} + Du_{i,PM}; 0)$$

Where:

Dz_i – margin requirements for the *i* Set-off Participant,

$Dwk_{i,EE}$ – value of set off initial margins for electricity transactions assigned to the *i* Set-off Participant,

$Dwk_{i,G}$ – value of set off initial margins for gas transactions assigned to the *i* Set-off Participant,

$Dwk_{i,PM}$ – value of set off initial margins for Property Rights under Certificates of Origin transactions assigned to the *i* Set-off Participant,

$Du_{i,EE}$ – value of additional margin for electricity transactions assigned to the *i* Set-off Participant,

$Du_{i,G}$ – value of additional margin for gas transactions assigned to the *i* Set-off Participant,

$Du_{i,PM}$ – value of additional margin for Property Rights under Certificates of Origin transactions assigned to the *i* Set-off Participant.

2. Set-off of margins is possible only when the sum of the values of additional margins of one or more Set-off Participants shows a surplus (surplus on additional margins) over the sum of accrued initial margins for such Set-off Participant, i.e.:

$$Dwk_{i,EE} + Dwk_{i,G} + Dwk_{i,PM} + Du_{i,EE} + Du_{i,G} + Du_{i,PM} > 0$$

then:

$$\text{Dwk}_{i,EE} + \text{Dwk}_{i,G} + \text{Dwk}_{i,PM} + \text{Du}_{i,EE} + Du_{i,G} + Du_{i,PM} = NU_i$$

Where:

NU_i– surplus on additional margins resulting from the position of the i Set-off Participant.

The remaining denotations retain the meanings assigned to them in Item 1.

3. The value of the total surplus on additional margins equals to:

$$NU = \sum_i NU_i$$

Where:

NU_i– surplus on additional margins resulting from the position of the i Set-off Participant,

NU – total surplus of Set-off Participants on additional margins.

4. The value of the surplus on additional margins is assigned to such Set-off Participants who hold non-zero margin requirements. The value of the surplus on additional margins assigned to such j Set-off Participant whose margin requirements are set off in the first place is:

$$NP_j = min(-Dz_j; NU)$$

Where:

Dz_j – margin requirements for the j Set-off Participant before the set-off,

NP_j – surplus on additional margins assigned to the j Set-off Participant,

NU – total surplus of Set-off Participants on additional margins.

5. The value of the surplus on additional margins assigned to further j Set-off Participants who hold non-zero margin requirements is:

$$NP_j = min(-Dz_j; NU - \sum_{k=1}^{j-1} NP_k)$$

Where the remaining denotations retain the meanings assigned to them in Item 4.

6. Reduced margin requirements for the Set-off Participants are expressed by the following formula:

$$Dzk_i = min(Dz_i + NP_i; 0)$$

Where:

Dzk_i – margin requirements for the i Set-off Participant after the set-off of additional margins,

Dz_i – margin requirements for the *i* Set-off Participant before the set-off,
NP_i – surplus on additional margins assigned to the *i* Set-off Participant,

§ 5a
Set-off of additional margins
(if the Power Group selects the option of proportional division of the surplus)

1. The margin requirements of the Set-off Participant before the set-off on account of a surplus on additional margins are calculated as:

$$Dz_i = Min(Dwk_{i,EE} + Dwk_{i,G} + Dwk_{i,PM} + Du_{i,EE} + Du_{i,G} + Du_{i,PM}; 0)$$

Where:

Dz_i – margin requirements for the *i* Set-off Participant,
$Dwk_{i,EE}$ – value of set off initial margins for electricity transactions assigned to the *i* Set-off Participant,
$Dwk_{i,G}$ – value of set off initial margins for gas transactions assigned to the *i* Set-off Participant,
$Dwk_{i,PM}$ – value of set off initial margins for Property Rights under Certificates of Origin transactions assigned to the *i* Set-off Participant,
$Du_{i,EE}$ – value of additional margin for electricity transactions assigned to the *i* Set-off Participant,
$Du_{i,G}$ – value of additional margin for gas transactions assigned to the *i* Set-off Participant,
$Du_{i,PM}$ – value of additional margin for Property Rights under Certificates of Origin transactions assigned to the *i* Set-off Participant.

2. Set-off of margins is possible only when the sum of the values of additional margins of one or more Set-off Participants shows a surplus (surplus on additional margins) over the sum of accrued initial margins for such Set-off Participant, i.e.:

$$Dwk_{i,EE} + Dwk_{i,G} + Dwk_{i,PM} + Du_{i,EE} + Du_{i,G} + Du_{i,PM} > 0$$

then:

$$Dwk_{i,EE} + Dwk_{i,G} + Dwk_{i,PM} + Du_{i,EE} + Du_{i,G} + Du_{i,PM} = NU_i$$

Where:
NU_i – surplus on additional margins resulting from the position of the *i* Set-off Participant.
The remaining denotations retain the meanings assigned to them in Item 1.

3. The value of the total surplus on additional margins equals to:

$$NU = \sum_i NU_i$$

Where:

NU_i – surplus on additional margins resulting from the position of the i Set-off Participant,

NU – total surplus of Set-off Participants on additional margins.

4. The value of the surplus on additional margins is assigned to such Set-off Participants who hold non-zero margin requirements. The value of the surplus on additional margins assigned to such j Set-off Participant is:

$$NP_j = \frac{Dz_j}{\sum_n Dz_n} * NU$$

Where:

NP_j – surplus on additional margins assigned to the j Set-off Participant,

Dz_j – required collateral margin from the j Set-off Participant before the set-off of additional margins,

$\sum_n Dz_n$ – sum of required collateral margins from all n Set-off Participant before the set-off of additional margins,

NU – total surplus of Set-off Participants on additional margins.

5. Reduced margin requirements for the Set-off Participants are expressed by the following formula:

$$Dzk_i = min(Dz_i + NP_i; 0)$$

Where:

Dzk_i – margin requirements for the i Set-off Participant after the set-off of additional margins,

Dz_i – margin requirements for the i Set-off Participant before the set-off,

NP_i – surplus on additional margins assigned to the i Set-off Participant,

§ 6

The Resolution shall come into force on the date of its adoption.