



ANNEX 3. SPECIFIC RULES FOR MIBGAS DERIVATIVES AUCTIONS

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ANNEX III: SPECIFIC RULES FOR MIBGAS DERIVATIVE AUCTIONS

1 GENERAL PRINCIPLES

1.1 General considerations

MIBGAS Derivative Auctions is the organized market segment operated by MIBGAS Derivatives in which auctions are held at the request of product Agents with physical delivery in the PVB, VTP, TVB and AVB, with the characteristics described in this Annex.

There will be an “initiating auction Agent” who will ask MIBGAS Derivatives to call an auction with certain characteristics and an admission process for the other Agents participating in the auction.

The initiating Agent may choose between the following alternatives:

- a) That transactions resulting from the auction are registered as OTC in the CCP, hereinafter, “*Auction – OTC Clearing Service*”.
- b) That the Transactions resulting from the auction give rise to bilateral agreements governed by the terms and conditions of the MSA Master Agreement between the parties, hereinafter, “*Auction - OTC MSA Service*”.

1.2 Concepts, acronyms and definitions

- ▶ Initiating Agent: pre-qualified Agent that asks MIBGAS Derivatives to call an auction in accordance with this Annex.
- ▶ Agent invited to the auction: pre-qualified Agent who meets the initial requirements to participate in an auction, and is invited to participate provided that they meet the admission requirements established in this Annex.
- ▶ Agent participating in the auction: initiating Agent or Agent invited to the auction who has met the admission requirements established in this Annex and can participate.
- ▶ Pre-qualified Agent: MIBGAS Derivatives Agent who has selected the MIBGAS Derivatives Auctions segment in the MIBGAS Derivatives Adherence Agreement.
- ▶ Framework Agreement (MSA): agreement between two Agents that establishes the conditions that will govern the gas contracts between the parties, particularly with respect to the guarantees exchanged to comply with the obligations acquired. It is unrelated to MIBGAS Derivatives.

2 AGENTS

2.1 How to become the initiating Agent of the auction

To become the initiating Agent of the auction, the candidate must meet the following requirements:

- a) It must be registered in MIBGAS Derivatives Auctions.
- b) It must be authorised in the infrastructure in which the product auctioned is delivered.
- c) Ask MIBGAS Derivatives to call an auction by sending the form contained in Annex A, specifying the characteristics of the auction.
- d) Submit any additional documentation required by MIBGAS Derivatives.
- e) Have the required participation guarantee, should MIBGAS Derivatives, as the auction managing entity, so require it, according to the section “Guarantees required for auctions on request”.

- f) Not have pending payment obligations for the services or in MIBGAS Derivative settlements.

Additionally, if the *Auction – OTC Clearing Service* is chosen, authorization from the CCP is required.

2.2 The Auction Initiating Agent's rights

The initiating Agent, in addition to the rights established in the MIBGAS Derivatives Rules, is entitled to:

- a) Decide whether the transactions resulting from the auction are managed according to the *Auction -OTC Clearing Service* or the *Auction Service-OTC MSA*.
- b) If the *Auction – OTC MSA Service* is chosen, state which pre-qualified Agents can participate in the auction, the limit of the amount that can be matched with each of them and the amount of participation guarantees required by Agent, based on the MSA that is formalized with them.
- c) Declare the information to be published to the Agents in the auction announcement, and select the confidentiality of the details considered opportune in the aforementioned announcement.
- d) Receive, if applicable, anonymous orders from the other Agents participating in the auction before the closing the order submission phase.
- e) After publishing the results of an auction, request the opening of a new auction for the same product under the same conditions as the closed auction to increase the amount matched.
- f) Be informed in a timely manner of any changes to the regulations applicable to auctions and in their interpretation, as well as of all those that may determine their participation.

2.3 How to become an Agent participating in the auction

Once the initiating Agent has asked MIBGAS Derivatives to call an auction, pre-qualified Agents that meet the following requirements will be invited to participate in the auction:

- It must be a part of the infrastructure in which the product traded is delivered.
- If the initiating Agent has chosen the *Auction- OTC Clearing Service*, authorization from the CCP is required.
- If the initiating Agent of the auction has chosen the *Auction – OTC MSA Service*, the Agent must be included in the list of Agents admitted by the initiating Agent based on an MSA.
- There must be no pending payment obligations for MIBGAS Derivative services or settlements.

Agents invited to the auction who wish to participate must provide guarantees to participate in the auction in accordance with the section “Guarantees required for auctions on request”.

Additionally, in the *Auction – OTC MSA Service*, they must send MIBGAS Derivatives the list of Agents with whom an MSA is formalized and the quantity limits for each Agent, if any.

3 GUARANTEES REQUIRED FOR AUCTIONS ON REQUEST

3.1 Auction – OTC Clearing Service

In this case, the rules of the CCP will apply and the initiating Agent as well as the Agents invited to participate in the auction must be authorized by the CCP.

Before the start of the auction, the CCP may inform MIBGAS Derivatives if, based on its guarantees, there is a maximum volume to be offered by the Agents participating in the auction.

Likewise, and notwithstanding the foregoing, MIBGAS Derivatives, as the auction managing entity, may require a participation guarantee from all Agents participating in the auction during the admission

process, which will be blocked and will limit the amount that the Agents may offer to buy or sell during the same.

This participation guarantee will be fully released once the following two conditions are met:

1. The CCP has received the information with the result of the auction and notifies MIBGAS Derivatives of the confirmation of the registration as OTC of the transactions resulting from the auction.
2. The Agent has made the payment corresponding to the negotiation fee in the auction.

When the first condition is met, but the trading fee for the result of the auction is pending billing, the participation guarantee may be partially released up to the amount of the payment corresponding to the fee.

In the case of Agents that are not awarded in the auction, their participation guarantees will be released after the publication of the auction results.

3.2 Auction – OTC MSA Service

The amount of participation guarantees required from Agents invited to participate in the auction will be established by the initiating Agent, who may define the same guarantee requirement for all Agents or a different one for each.

The amount of the participation guarantee required from the initiating Agent of the auction will be established by MIBGAS Derivatives as the managing entity of the auction.

The participation guarantees formalized by the Agents participating in the auction will be blocked and will limit the amount of gas that the Agents may offer for purchase or sale during the auction.

The MSAs signed bilaterally between the Agents awarded in the auction will establish the requirements for formalizing the OTC transactions resulting from the auction, including, if applicable, the required guarantees, which will be external to MIBGAS Derivatives.

The participation guarantees formalized by the Agents participating in the auction, including that provided by the initiating Agent, will be responsible for compliance with the following obligations:

1. The formalization of OTC transactions as established in the MSA by each of its counter parties within the term established in the auction conditions.
2. Payment of the corresponding negotiation fee in the auction.

In general terms, the participation guarantees will be released once the Agent has complied with both obligations. When the first condition is met, but the trading fee for the result of the auction is pending billing, the participation guarantee may be partially released up to the amount of the payment corresponding to the fee.

In the case of Agents that are not awarded in the auction, their participation guarantees will be released after the publication of the auction results.

Nevertheless, an auction may have special conditions related to participation guarantees which shall be disclosed in the call of the auction.

3.3 Formalization of the participation guarantee

Both the initiating Agent and the invited Agents who wish to participate in the auction must present the participation guarantees during the admission process.

The guarantees must be formalized according to the “Formalization of guarantees” rule of the MIBGAS Derivatives Rules.

4 PROCESSES RELATED TO THE AUCTION ON REQUEST SERVICE

The auction on request service consists of the following processes:

1. Pre-qualification.
2. Request to call the auction.
3. Auction announcement.
4. Admission to the auction.
5. Auction.
6. Confirmation and communication of the result of the auction.

4.1 Pre-qualification

All Agents who have completed their registration in the MIBGAS Derivatives Auctions segment are pre-qualified for auctions.

Any pre-qualified Agent may ask the auction managing entity to announce an auction in accordance with the “How to become an initiating Agent of the auction” rule.

4.2 Request to call the auction

Pre-qualified Agents wanting to call an auction must send an email to MIBGAS Derivatives, subastas@mibgas.es, informing of said intention, stating the date of the auction, the product and the quantity to be auctioned, whether its position is buy or sell and whether it wants the transactions resulting from the auction to be managed according to the *Auction – OTC Clearing Service* or the *Auction Service – OTC MSA*. The information sent in this email may be approximate and will not be binding.

MIBGAS Derivatives will confirm the viability of the auction and, if the Agent has requested the *Auction – OTC MSA Service*, it will send the list of pre-qualified Agents.

The Agent will send MIBGAS Derivatives Annex A with the binding information for holding the auction and will indicate, if applicable, the pre-qualified Agents invited to participate in the auction based on the existence of an MSA with each of them, with the quantity limits and the amount of participation guarantees for each of them.

To finally acquire the condition of initiating Agent, the Agent must comply with the requirements established in the point “How to become an initiating Agent of the auction”.

The same auction may have more than one initiating Agent, provided that they have established compatible conditions.

4.3 Auction announcement

Once MIBGAS Derivatives receives the correctly completed Schedule A, it may announce the holding of an auction by email or message on its platforms to all its Agents. The details to be displayed correspond to the public information provided by the initiator.

It will also contact the Agents invited to participate in the auction and inform them of the specific collateral requirements that apply, the calendar and specific hours of the auction and its trading fees.

4.4 Admission to the auction

Pre-qualified Agents invited to participate in the auctions who wish to participate, must request their admission to MIBGAS Derivatives by sending an email to subastas@mibgas.es, within the period established in the announcement of the call.

To be admitted, they must meet the requirements established in the section “How to become an Agent participating in the auction” of this Annex.

Once an Agent is admitted to the auction, MIBGAS Derivatives will send a notification by email.

4.5 Auction

4.5.1 Preliminary considerations

MIBGAS Derivatives will list the product to be auctioned on the Trading Platform, with sufficient time before the order reception opens.

In the event of conditions that significantly affect the market on the day of the auction, MIBGAS Derivatives and the initiating Agent may agree to suspend or postpone the auction. MIBGAS Derivatives shall communicate this to the participating Agents.

4.5.2 Opening and submitting orders for the auction

4.5.2.1 Checking orders

In addition to the checks included in the MIBGAS Derivatives Rules, the following checks will be carried out during the reception of orders:

- In the *Auction – OTC MSA Service*:
 - The amount included in each Agent's offer is compatible with the quantity limit communicated by the participating Agents according to their MSAs.
 - The order price is compliant with the reserve price indicated in the auction call, if any.
- In the *Auction – OTC Clearing Service*:
 - Agents are authorized by the CCP and the maximum amounts order are limited by the CCP.
 - The order price is within the thresholds established by the CCP and is compliant with the reserve price indicated in the auction call, if any.

The following checks will also be made at the end of the period for receiving orders:

- The participation guarantees formalized by the Agent for the auction are sufficient to cover the value of their orders.

If the Agent's order exceeds the above limits, it will be canceled by MIBGAS Derivatives before the auction matching process. If the Agent has sent several orders, these will be canceled from the most recent to the oldest, until the necessary limits are met. MIBGAS Derivatives will not change the Agents' orders under any circumstances.

4.5.3 Matching the orders

Once the orders entered in the auction have passed the checks described in the previous point, these will be matched according to “Matching orders in Auctions” in the MIBGAS Derivatives Rules.

However, in the auction call announcements, the specific aspects and necessary adaptations to the methodology for selecting the orders may be established to adapt them to the characteristics of each auction.

4.6 Confirmation and communication of the auction result

Once the auction matching process is finished, before publishing the result, MIBGAS Derivatives will check that the resulting transactions are consistent with the conditions established in the auction and the participation guarantees formalized.

MIBGAS Derivatives will notify the participating Agents of the result through the electronic mechanisms established; likewise, in the *Auction – OTC Clearing Service*, the results will be communicated to the CCP.

If there is an error in the information communicated, the participants may request its correction within 30 minutes following the notification of the results of the auction.

Once this period has transpired, the result is final and it is considered that the winning Agents know and freely, irrevocably and unconditionally accept the results of the auction and undertake to comply with their obligations without reservations, restrictions or conditions.

MIBGAS Derivatives will publish the result of the auction on the Market Platform, respecting the confidentiality conditions established in these rules and those established by the initiating Agent of the auction.

Both the release of the participation guarantees, if any, and the guarantees required for the contracts resulting from the auction, will be governed by the provisions of the “Guarantees required for auctions on request” section of this Annex.

5 NON-COMPLIANCE MANAGEMENT

In addition to the breaches established in the MIBGAS Derivatives Rules, three additional types of breaches will be considered:

- › Failure to maintain participation guarantees
- › Failure to formalize and register the contracts resulting from the auction in the Auction – OTC Clearing Service
- › Failure to formalize the OTC transactions resulting from the auction in the Auction -OTC MSA Service

5.1 Failure to maintain participation guarantees

This is governed by the provisions of “Breach in the maintenance of guarantee instruments” of the MIBGAS Derivatives Rules.

5.2 Failure to formalize and register the contracts resulting from the auction in the Auction – OTC Clearing Service

If there are circumstances due to which the OTC transaction resulting from the auction cannot be registered in the CCP for reasons attributable to an Agent, the transaction will be eliminated from the transactions resulting from the auction, reducing the amount matched proportionally between the Agents matched in the opposite direction in the auction.

If applicable, MIBGAS Derivatives may execute the Agent's participation guarantees and proportionally transfer them to the affected Agents.

5.3 Failure to formalize the OTC transactions resulting from the auction in the Auction – OTC MSA Service

The winning Agents must formalize the OTC transactions resulting from the auction in accordance with their MSAs, including, if applicable, the requisite guarantees established in the MSAs, which will be external to MIBGAS Derivatives.

The participation guarantee will be released as the Agents confirm formalization of the OTC transactions by each of their counter parties.

If an Agent fails to comply with the obligation to formalize the OTC transactions resulting from the auction, within the term established in the conditions of the auction and according to the formalities provided in the MSA, its counterpart may request MIBGAS Derivatives execute the participation guarantees in its favor for the proportional part of the amount awarded between the parties with respect to the total awarded by the defaulting Agent.

6 EXECUTING GUARANTEES

The party applying to execute the guarantees will be responsible for the accuracy of the information contained in the request for execution of guarantees sent to MIBGAS Derivatives, notwithstanding MIBGAS Derivatives' liability for the correct performance of the process.

The request made for execution to the guarantor entity must be submitted no later than the following five business and banking days from the verification of the non-compliance. Once deposited by the guarantor

entity, the amount must be paid into the Agent's valid account, requesting the execution registered in the Register and Inquiries Platform no later than the following business and banking day after the deposit.

MIBGAS Derivatives will inform the Agent in default of the request for execution of its guarantees, including the entity requesting it, as well as the total amount executed.

The execution of guarantees may entail the payment of a penalty of 0.01% of the amount executed, with a minimum of €400, which will be paid to MIBGAS Derivatives.

7 COMMUNICATIONS

Communication from MIBGAS Derivatives to the Agents participating in the auction will be made through the channels and formats determined by the auction administrator to the persons and addresses that the participants provide in the request to that effect during the pre-qualification process and appear in the database. If the usual communication channels are unavailable, the auction administrator will indicate the alternative channels as soon as possible.

- › Communication made through the auction system will be stored in it.
- › Telephone communication may be recorded.
- › Communication between the parties will be made to the email address provided by the participating Agent for these purposes.
- › As the Managing Entity of the auction, communication to MIBGAS Derivatives will be made to: subastas@mibgas.es

ANNEX A – AUCTION CALL REQUEST FORM

Auction Service	OTC Clearing/OTC MSA
Auction date	DD/MM/YYYY
Product description	To be completed by the initiator
Place of delivery	PVB/VTP/TVB/AVB
Underlying	Natural gas/Liquefied natural gas
Delivery period	Day X/Month X...
Delivery method	Once only, laminated, swap on two defined dates (temporary), swap by delivery points (locational)...
Amount to auction	xx MWh/d
Initiator position	Buy/Sell
Trading form	Absolute price/spread
Price unit	€/MWh; (with two decimals)
Reserve price	xx €/MWh
Minimum price increase allowed	0.01; 0.10; €1.../MWh
Negotiating unit	MWh/d
Minimum amount allowed	1; 10...MWh/day
Maximum allowable amount	Xx.. MWh/d
Minimum allowable quantity increase	1; 10...MWh/day
Anonymity of the auction¹	Yes/No
Agents accepted to participate with their corresponding participation guarantees²	xxxxx
Additional comments	

¹In the *Auction – OTC MSA Service*, the identity of the initiating Agent must be public for the successful Agents, at least in the communication of results.

²Only for the *Auction – OTC MSA Service*