



EEX Product Brochure Natural Gas

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2. Preliminary remarks

This is an introduction to trading in natural gas on the Spot and Derivatives Market of the European Energy Exchange, hereafter referred to as EEX. Its aim is to provide information on trading in natural gas products on the EEX Spot and Derivatives Market to potential trading participants. EEX hereby points out that this concept is subject to change at any time. The provisions in the Exchange Rules, the EEX Trading Conditions, the Contract Specifications, the OTC Clearing Conditions, the Examination Regulations and the Clearing Conditions of European Commodity Clearing AG (ECC) shall be applicable. Moreover, EEX reserves the right to amend this document at any time without providing explicit information with regard to this.

3. Trading in Natural Gas on the EEX Spot Market

3.1. Products on the EEX Spot Market

On the EEX Spot Market spot contracts regarding natural gas can be traded around the clock (24/7) on all calendar days of the year. The spot contracts regarding natural gas on EEX are block contracts for the delivery and/or procurement of natural gas with a constant rate of delivery for day base load deliveries (Natural Gas Day Contracts) and weekend base load deliveries (Natural Gas Weekend Contracts) as well as for variable delivery capacities for intraday products (Natural Gas Within Day Contracts). Delivery is possible at the virtual trading hub in the market areas of NetConnect Germany GmbH & Co KG¹ (NCG-Natural Gas Contracts), GASPOOL Balancing Services GmbH² (GASPOOL Natural Gas Contracts) exclusively in the H-gas quality and in the market area of Gastransport Services B.V.³ for the Dutch Title Transfer Facility (TTF Natural Gas Contracts) in H-gas or L-gas quality.

3.2. Contract Specifications for Spot Contracts on Natural Gas

3.2.1. Contract volume

Natural Gas Day Contracts and Natural Gas Weekend Contracts can each be traded with two different delivery volumes - with 1 MW or 10 MW. Therefore, this specification of the rate of delivery of the contract also indicates the minimum lot size (which corresponds to the minimum order quantity) of 1 MW and multiples of 1 MW or of 10 MW and, accordingly, multiples of 10 MW. This results in the following delivery rates for the individual contracts:

Natural Gas **Day 1 MW** Contracts (Monday to Sunday) comprise the constant delivery of 1 MW of natural gas during the time from 06:00am (CET) of any given delivery day to 06:00am (CET) on the following calendar day. This comprises 24 MWh per delivery day; however, on the day of the switch from standard time to daylight saving time it comprises 23 MWh and on the day of the switch from daylight saving time to standard time it comprises 25 MWh.

Natural Gas **Day 10 MW** Contracts (Monday to Sunday) comprise the constant delivery of 10 MW of natural gas during the time from 06:00am (CET) of any given delivery day to 06:00am (CET) on

¹ The NCG market area and any new market area established on the basis of this market area after a change of the market area by the gas grid operator.

² The GPL market area and any new market area established on the basis of this market area after a change of the market area by the gas grid operator.

³ The TTF market area and any new market area established on the basis of this market area after a change of the market area by the gas grid operator.

the following calendar day. This comprises 240 MWh per delivery day; however, on the day of the switch from standard time to daylight saving time it comprises 230 MWh and on the day of the switch from daylight saving time to standard time it comprises 250 MWh.

Natural Gas **Weekend 1 MW** Contracts (Saturday and Sunday) correspond to a constant delivery of 1 MW during the time from 06:00am (CET) on a Saturday to 06:00am (CET) on Monday. This contract comprises 48 MWh per delivery; however, on the day of the switch from standard to daylight saving time it comprises 47 MWh and on the day of the switch from daylight saving to standard time it comprises 49 MWh.

Natural Gas **Weekend 10 MW** Contracts (Saturday and Sunday) correspond to a constant delivery of 10 MW during the time from 06:00am (CET) on a Saturday to 06:00am (CET) on Monday. This contract comprises 480 MWh per delivery; however, on the day of the switch from standard to daylight saving time it comprises 470 MWh and on the day of the switch from daylight saving to standard time it comprises 490 MWh.

In the case of Natural Gas **Within-Day** Contracts, the constant delivery rate for natural gas during the delivery period amounts to 1 MW. During the day, the contract volume reduces every hour depending on the remaining delivery period. A detailed description of this is provided in section 3.2.3.3.

3.2.2. Quotation and minimum price change

Prices are quoted in ticks in EUR per MWh and they are specified with a precision of two digits after the decimal point. In this context, one tick corresponds to the minimum price change of EUR 0.01 per MWh.

3.2.3. Tradeable delivery periods

3.2.3.1. Natural Gas Day Contracts

Every Natural Gas Day Contract can be traded on two days. This means every delivery day can be traded on the two consecutive exchange trading days which immediately precede it. The details regarding this are contained in the respectively valid trading calendar. Trading in the respective contract ends three hours before the beginning of the delivery period. The contracts are generated within the trading system two days before the beginning of the delivery period at 3:00am (CET) and expire at 3:00am (CET) on the delivery day.

3.2.3.2. Natural Gas Weekend Contract

Every Natural Gas Weekend Contract can be traded on two days. This means every Natural Gas Weekend Contract can be traded on the two exchange trading days immediately preceding the delivery period. The details regarding this are again contained in the respectively valid trading calendar. Trading in the respective contract ends three hours before the beginning of the delivery period.

The contracts are generated within the trading system two days before the beginning of the delivery period at 3:00am (CET) and expire at 3:00am (CET) on the delivery day.

3.2.3.3. Natural Gas Within-Day Contracts

Natural Gas Within-Day Contracts can be traded on all exchange trading days with the tradeable delivery period calculated on the basis of the time of the beginning of delivery (next full hour after the conclusion of the transaction plus a lead time of 3 full time hours) and the end of the delivery at 06:00am (CET) on the following calendar day. The contracts are generated within the trading system on the delivery day at 02:00am (CET) and expire at 02:00am (CET) on the following day.

3.2.4. Place of delivery

The three delivery periods referred to above can each be traded for three different places of delivery. The virtual trading hubs of the respective market areas of the following companies/transmission system operators (TSOs) constitute these places of delivery for block contracts on natural gas:

- NetConnect Germany GmbH & Co. KG (NCG)⁴ or
- Gaspool Balancing Services GmbH (GPL)⁵ or
- Gastransport Services B.V. to Dutch Title Transfer Facility (TTF)⁶.

3.2.5. Daily reference price and daily settlement price

On the EEX Spot Market both daily reference prices and daily settlement prices are established in the following form:

Daily reference prices are based on the volume-weighted average of the prices across all trading transactions (10 MW plus 1 MW) of the last trading day before physical settlement and they are established and published as follows for the NCG, GASPOOL and TTF market areas:

⁴ The NCG market area and any new market area established on the basis of this market area after a change of the market area by the gas grid operator.

⁵ The GPL market area and any new market area established on the basis of this market area after a change of the market area by the gas grid operator.

⁶ The TTF market area and any new market area established on the basis of this market area after a change of the market area by the gas grid operator.

Trading day	Trading period / Determination period (CET)	Delivery day	Publication Daily reference price
Monday	3am to 3am on the following day	Tuesday	Tuesday
Tuesday	3am to 3am on the following day	Wednesday	Wednesday
Wednesday	3am to 3am on the following day	Thursday	Thursday
Thursday	3am to 3am on the following day	Friday	Friday
Friday	3am to 3am on the following day	Saturday	Monday
Saturday	3am to 3am on the following day	Sunday	Monday
Sunday	3am to 3am on the following day	Monday	Monday
Trading day before national German holidays	3am to 3am on the following day	First German national holiday	Trading after German national holidays
National German holidays	3am to 3am on the following day	Delivery days after the first German national holiday	Trading day after German national holidays

On the days of publication, the daily reference prices are published at approx. 10:00am (CET) in each case. Further information on the method for the calculation of the daily reference prices for natural gas are provided in the document “Daily Reference Price Natural Gas Description”, which can be downloaded on the EEX website at the following link:

<http://www.eex.com/en/Downloads/Documentation/Concepts and Descriptions>

Furthermore, **settlement prices** are determined and published exclusively for the Natural Gas **Day-Ahead** Contracts on the Spot Market. With regard to the determination of these the order book situation during the pre-defined determination period (settlement price window) for the respective trading day is decisive. This results in the following determination method:

Trading day	Publication of the settlement price for	Determination period (CET)
Monday	Tuesday	05:00pm - 05:15pm
Tuesday	Wednesday	05:00pm - 05:15pm
Wednesday	Thursday	05:00pm - 05:15pm
Thursday	Friday	05:00pm - 05:15pm
Friday	Saturday, Sunday, Monday (no separate determination for the weekend contract)	05:00pm - 05:15pm
Saturday	None	None
Sunday	None	None
Trading day before German national holidays	Holiday(s) and the "Day-ahead" contract following the holiday as well as the Saturday and Sunday included in the respective period, if applicable	05:00pm - 05:15pm

The principles and parameters applied with regard to this are described separately in the documentation "Procedure for the Determination of Settlement Prices". They are provided for downloading at the following link:

http://www.eex.com/de/Downloads/Documentation/Concepts_and_Descriptions

3.2.6. Cascading

Immediately after the conclusion of the transaction every Weekend Contract is replaced by the corresponding two Day Contracts whose delivery periods taken together correspond to the Weekend Contract.

3.2.7. Overview of the Natural Gas products in the Spot Market trading system

The following overview contains all Spot Market contracts on natural gas, which are available within the ComXerv system, the trading system for 24/7 trading, on principle:

German Securities Identification No.	ISIN	Product	Contract	VTP

A1HT4A	DE000A1HT4A6	WITHIN-DAY	WID YYYYMMDD	GASPOOL
A1HUD5	DE000A1HUD56	DAY	MON YYYYMMDD	GASPOOL
A1HT4B	DE000A1HT4B4	DAY 1 MW	MON YYYYMMDD 1 MW	GASPOOL
A1HUD6	DE000A1HUD64	DAY	TUE YYYYMMDD	GASPOOL
A1HT4D	DE000A1HT4D0	DAY 1 MW	TUE YYYYMMDD 1 MW	GASPOOL
A1HUD7	DE000A1HUD72	DAY	WED YYYYMMDD	GASPOOL
A1HUDZ	DE000A1HUDZ0	DAY 1 MW	WED YYYYMMDD 1 MW	GASPOOL
A1HT4C	DE000A1HT4C2	DAY	THU YYYYMMDD	GASPOOL
A1HUD0	DE000A1HUD07	DAY 1 MW	THU YYYYMMDD 1 MW	GASPOOL
A1HUD8	DE000A1HUD80	DAY	FRI YYYYMMDD	GASPOOL
A1HUD1	DE000A1HUD15	DAY 1 MW	FRI YYYYMMDD 1 MW	GASPOOL
A1HUD9	DE000A1HUD98	DAY	SAT YYYYMMDD	GASPOOL
A1HUD2	DE000A1HUD23	DAY 1 MW	SAT YYYYMMDD 1 MW	GASPOOL
A1HUEA	DE000A1HUEA1	DAY	SUN YYYYMMDD	GASPOOL
A1HUD3	DE000A1HUD31	DAY 1 MW	SUN YYYYMMDD 1 MW	GASPOOL
A1HT4E	DE000A1HT4E8	WEEKEND	WND YYYYMMDD	GASPOOL
A1HUD4	DE000A1HUD49	WEEKEND 1 MW	WND YYYYMMDD 1 MW	GASPOOL
A1HT35	DE000A1HT359	WITHIN-DAY	WID YYYYMMDD	NCG
A1HUDT	DE000A1HUDT3	DAY	MON YYYYMMDD	NCG
A1HT36	DE000A1HT367	DAY 1 MW	MON YYYYMMDD 1 MW	NCG
A1HUDU	DE000A1HUDU1	DAY	TUE YYYYMMDD	NCG
A1HT38	DE000A1HT383	DAY 1 MW	TUE YYYYMMDD 1 MW	NCG
A1HUDV	DE000A1HUDV9	DAY	WED YYYYMMDD	NCG
A1HUDM	DE000A1HUDM8	DAY 1 MW	WED YYYYMMDD 1 MW	NCG
A1HT37	DE000A1HT375	DAY	THU YYYYMMDD	NCG
A1HUDN	DE000A1HUDN6	DAY 1 MW	THU YYYYMMDD 1 MW	NCG
A1HUDW	DE000A1HUDW7	DAY	FRI YYYYMMDD	NCG
A1HUDP	DE000A1HUDP1	DAY 1 MW	FRI YYYYMMDD 1 MW	NCG
A1HUDX	DE000A1HUDX5	DAY	SAT YYYYMMDD	NCG
A1HUDQ	DE000A1HUDQ9	DAY 1 MW	SAT YYYYMMDD 1 MW	NCG
A1HUDY	DE000A1HUDY3	DAY	SUN YYYYMMDD	NCG
A1HUDR	DE000A1HUDR7	DAY 1 MW	SUN YYYYMMDD 1 MW	NCG
A1HT39	DE000A1HT391	WEEKEND	WND YYYYMMDD	NCG
A1HUDS	DE000A1HUDS5	WEEKEND 1 MW	WND YYYYMMDD 1 MW	NCG
A1HT4F	DE000A1HT4F5	WITHIN-DAY	WID YYYYMMDD	TTF
A1HUEH	DE000A1HUEH6	DAY	MON YYYYMMDD	TTF
A1HT4G	DE000A1HT4G3	DAY 1 MW	MON YYYYMMDD 1 MW	TTF
A1HUEJ	DE000A1HUEJ2	DAY	TUE YYYYMMDD	TTF
A1HT4J	DE000A1HT4J7	DAY 1 MW	TUE YYYYMMDD 1 MW	TTF
A1HUEK	DE000A1HUEK0	DAY	WED YYYYMMDD	TTF
A1HUEB	DE000A1HUEB9	DAY 1 MW	WED YYYYMMDD 1 MW	TTF
A1HT4H	DE000A1HT4H1	DAY	THU YYYYMMDD	TTF
A1HUEC	DE000A1HUEC7	DAY 1 MW	THU YYYYMMDD 1 MW	TTF
A1HUEL	DE000A1HUEL8	DAY	FRI YYYYMMDD	TTF
A1HUED	DE000A1HUED5	DAY 1 MW	FRI YYYYMMDD 1 MW	TTF
A1HUEM	DE000A1HUEM6	DAY	SAT YYYYMMDD	TTF
A1HUEE	DE000A1HUEE3	DAY 1 MW	SAT YYYYMMDD 1 MW	TTF
A1HUEN	DE000A1HUEN4	DAY	SUN YYYYMMDD	TTF

A1HUEF	DE000A1HUEF0	DAY 1 MW	SUN YYYYMMDD 1 MW	TTF
A1HT4K	DE000A1HT4K5	WEEKEND	WND YYYYMMDD	TTF
A1HUEG	DE000A1HUEG8	WEEKEND 1 MW	WND YYYYMMDD 1 MW	TTF

Within the ComXerv system VTP refers to the virtual trading hub of the corresponding market area. On principle, all Within-Day contracts (WID) comprise a delivery rate of 1 MW. The Natural Gas Day 1-MW contracts have the extension “1MW” both for the product and for the contract designation in the ComXerv trading system. In deviation from this, all Natural Gas Day 10-MW contracts are specified without such an extension regarding the delivery rate in the ComXerv trading system. This designation system is continued in the Natural-Gas-Weekend contracts (WND). Furthermore, all Natural Gas Day and Weekend contracts automatically receive the current delivery date, with Saturday of the respective weekend only being specified for all weekend contracts for reasons of simplification.

4. Trading in Natural Gas on the EEX Derivatives Market

4.1. Products on the EEX Derivatives Market

Both exchange trading and the registration of transactions in natural gas for OTC clearing are possible on the EEX Derivatives Market on every exchange trading day.

4.1.1. Subject of the contract

On the EEX Derivatives Market the delivery or procurement of natural gas in H-gas quality in accordance with DVGW [German Technical and Scientific Association for Gas and Water] guideline 260 with a constant output of 1 MW is possible at the virtual trading point within the market areas of NetConnect Germany GmbH & Co KG⁷ (NCG Natural Gas Futures) or Gasunie Deutschland GmbH & Co. KG⁸ (GUD Natural Gas Futures) during the time from 06:00am (CET) on any given delivery day of the delivery month until 06:00am (CET) of the following calendar day. All calendar days of the delivery month are delivery days.

4.1.2. Tradeable delivery periods

Futures contracts which each have several delivery periods in the future can be traded. At a maximum, the tradeable delivery periods comprise the respective current month with regard to which the gas delivery on which the futures contract is based has already begun as well as the respective next six months into the future, the respective next seven quarters into the future and the respective next six calendar years into the future. Furthermore, the respective next four season contracts (summer/winter) can be traded for the NCG market area. The exact number of the tradeable delivery periods is determined by the Management Board of the Exchange. In addition, the Management Board of the Exchange can determine further delivery periods and introduce these for trading.

⁷ The NCG market area and any new market area established on the basis of this market area after a change of the market area by the gas grid operator.

⁸ The GPL market area and any new market area established on the basis of this market area after a change of the market area by the gas grid operator.

4.1.3. Contract volumes

4.1.3.1. Contract volumes for Month, Quarter, Season and Year Futures

The contract volume of the natural gas futures is calculated on the basis of the factors, the number of the delivery days during the delivery period and the quantity of natural gas to be supplied daily. As a rule, this comprises 24 MWh; however, on the day of the switch from standard to daylight saving time it comprises 23 MWh and on the day of the switch from daylight saving time to standard time it comprises 25 MWh.

This results in the following contract volumes:

- 720 MWh for a month future with 30 delivery days,
- 2,184 MWh for a quarter future with 91 delivery days,
- 4,368 MWh for a season future with 182 delivery days,
- 8,760 MWh for a year future with 365 delivery days.

4.1.3.2. Contract volume in the delivery month

From the second exchange trading day before the beginning of the delivery period the contract volume is reduced by the quantity of natural gas which is introduced into delivery after the end of trading. In this case, the delivery day following the next exchange trading day (t+2) is introduced into delivery. If this delivery day is not an exchange trading day, all following delivery days up to and including the next exchange trading day are introduced into delivery in addition.

4.1.4. Minimum lot size

The minimum order quantity is specified at 10 MW for exchange trading only. This means only orders of 10 MW and a multiple of 10 MW may be entered in the trading system. Irrespective of this, transactions with a lot size limit of 1 MW and a multiple of 1 MW can be concluded for registration for OTC-Clearing.

4.1.5. Quotation and minimum price change

The prices for gas futures are specified in EUR per MWh with two digits after the decimal point. As a result, the smallest price change is 0.01 points per MWh, multiplied by the contract volume in each case.

For example, this corresponds to the following values:

- EUR 7.20 for a month future with 30 delivery days
- EUR 21.83 for a quarter future with 91 delivery days
- EUR 43.68 for a season future with 182 delivery days
- EUR 87.60 for a year future with 365 delivery days

4.1.6. Procedure for the determination of the daily settlement price

On the EEX Derivatives Market a settlement price is established on every exchange trading day. The order book situation during a pre-defined time window (settlement price window) for the respective trading day is decisive for the determination of the settlement price.

The principles and parameters to be applied with regard to this are described separately in the documentation "Procedure for the Determination of Settlement Prices" available at:

http://www.eex.com/de/Downloads/Documentation/Concepts_and_Descriptions

4.1.7. Cascading

Every open position in an NCG or GPL Natural Gas Year Future is replaced by equivalent positions in the three NCG or GPL Natural Gas Month Futures for the delivery months from January to March and the three NCG or GPL Natural Gas Quarter Futures for the second through to the fourth delivery quarter, whose delivery periods taken together correspond to the delivery year, on the third exchange trading day before the beginning of the delivery period.

Every open position in an NCG or GPL Natural Gas Season Future is replaced by equivalent positions in the three NCG or GPL Natural Gas Month Futures for the delivery months from October to December (Winter Season) or from April to June (Summer Season) and the respective following NCG or GPL Natural Gas Quarter Futures on the third exchange trading day before the beginning of the delivery period.

Every open position in an NCG or GPL Natural Gas Quarter Future is replaced by equivalent positions in the three NCG Natural Gas Month Futures, whose delivery months taken together correspond to the delivery quarter, on the third exchange trading day before the beginning of the delivery period.

4.1.8. Last day of trading in the delivery month

The last day of trading in the delivery month is two days before the last delivery day of the delivery month.

4.1.9. Delivery

In each case only that part of the contract is fulfilled physically by which the contract volume in the delivery month was reduced after the end of trading.

The final settlement price is the settlement price for all deliveries in the entire delivery month. The settlement price which is established two exchange trading day before the beginning of the delivery month (BoM settlement) is referred to as the final settlement price. As a result, this is the settlement price at which the full contract volume for the delivery month is traded for the last time.

The buyer is obliged to take off the quantity of natural gas agreed on during the delivery day and to pay the purchase price plus any applicable taxes on the exchange trading day preceding the delivery.

The seller is obliged to deliver the quantity of natural gas agreed on during the delivery day.

4.1.10. Products

The following products are available for trading in natural gas futures within the Eurex system, the trading system on the EEX Derivatives Market:

German securities identification number	ISIN	Exchange code*	Name
A0MEW8	DE000A0MEW81	G0BM	NCG Natural Gas Month Futures
A0MEW9	DE000A0MEW99	G0BQ	NCG Natural Gas Quarter Futures
A0G9FX	DE000A0G9FX0	G0BS	NCG Natural Gas Season Futures
A0MEXA	DE000A0MEXA7	G0BY	NCG Natural Gas Year Futures
A0MEXB	DE000A0MEXB5	G2BM	GPL Natural Gas Month Futures
A0MEXC	DE000A0MEXC3	G2BQ	GPL Natural Gas Quarter Futures
A0MEXD	DE000A0MEXD1	G2BY	GPL Natural Gas Year Futures

*Legend:

G = Natural gas

0 = NCG market area

2 = GPL market area

B = Base

M, Q, S, Y = month, quarter, season, year

5. Clearing

5.1. Clearing structure

ECC accedes to all transactions as the central contractual partner (central counterparty) and, hence, assumes the counterparty risk. The clearing structure consists of the central counterparty ECC and several banks, the clearing members.

In the context of this structure, the trading participants settle their transactions with a clearing member of their choice, while the clearing members in turn settle these transactions with ECC. The trading participants have to deposit collateral with their clearing member for liabilities entered into under transactions and the clearing members, in turn, have to deposit these with ECC. This structure safeguards the fulfilment of all transactions.

5.2. Settlement

5.2.1. Settlement of Spot Market transactions

Spot Market transactions in natural gas are settled by means of the delivery of natural gas from the seller to the buyer and by means of the payment of money by the buyer to the seller. Delivery is effected between ECC and the trading participant by means of the nomination of the delivery of natural gas to the party in charge of the market area between the balance areas and/or hub accounts of ECC and the trading participant on the day preceding physical settlement.

The quantities delivered are settled financially between ECC and the trading participant via the clearing members on the delivery day. If the delivery day is on a weekend or an ECC holiday (e.g. 01 May 2013), physical settlement takes place on the next ECC business day.

5.2.2. Settlement of Derivatives Market transactions

5.2.2.1. Daily profit and loss settlement (Variation Margin)

On every day EEX specifies a settlement price in line with the current market price of a given futures contract for every futures contract. The change in the value of the futures position which results from the change in the settlement price between the last and the current exchange trading day is credited to the trading participant in cash or debited in cash (Variation Margin). In this context, the value of a futures position is calculated from the product of “contracts x contract volume x settlement price”.

5.2.2.2. Settlement of Year Futures, Season Futures and Quarter Futures

Year Futures, Season Futures and Quarter Futures are settled by cascading. Cascading means that futures contracts with longer delivery periods are replaced by equivalent futures contracts with shorter delivery periods on the last day of trading.

Three exchange trading days before the beginning of the delivery period every position in year futures is replaced by equivalent positions in month futures for January, February and March and in quarter futures for the second, third and fourth quarter whose delivery periods taken together correspond to the year.

Three exchange trading days before the beginning of the delivery period every position in season futures is replaced by equivalent positions in month futures for the respective 3 following months and the subsequent quarter future whose delivery periods taken together correspond to the season.

Three exchange trading days before the beginning of the delivery period every position in quarter futures is replaced by equivalent positions in month futures whose delivery periods taken together correspond to the quarter.

Every cascading is effected by closing the position in year futures, season futures or quarter futures which is to be cascaded and opening several equivalent positions in futures with shorter delivery periods at the same time. In this context, the positions are closed at the final settlement price for the year future or quarter future and the equivalent new positions in futures with shorter delivery periods are opened at this final settlement price. For this reason, Variation Margins are incurred for the closed position and, in addition, for all new positions opened on the day of cascading.

5.2.2.3. Settlement of NCG and/or GPL Natural Gas Month Futures

NCG and/or GPL Natural Gas Month Futures are settled physically. In this context, the delivery of natural gas on which the futures contract is based is equivalently settled in several partial deliveries. As a rule, a partial delivery comprises one delivery day; before weekends or holidays a partial delivery can also comprise several delivery days. This settlement in partial deliveries comprising one day each means that the contract volume of these month futures is reduced in line with the delivery days already settled during the delivery month and that the amount of the contract volume only corresponds to the deliveries which have not been settled yet, i.e. the rest of the month (BoM, Balance of the Month). As a result, the month future becomes a BoM contract with a contract volume declining daily during delivery. Figure 5.1 shows this step-by-step physical settlement in a schematic overview.

Two exchange trading days before the first delivery day of a Baseload NCG and/or GPL Natural Gas Month Future the final settlement price is determined in accordance with the current market value of the natural gas deliveries on which the futures contract is based. On this exchange trading day these month futures can be traded with an unreduced contract volume for the last time and, thus, they are based on a delivery of natural gas for the entire month for the last time; on all subsequent exchange trading days the month future is only available as a BoM contract. After the end of trading the processes for the physical settlement of the delivery described below begin. On all

following exchange trading days the final settlement price established here becomes the final settlement price of the corresponding BoM contracts.

After the end of trading, profit and loss settlement (Variation Margin) is carried out for every position in such a BoM contract. Since the settlement prices of the BoM contracts remain constant during delivery and correspond to the final settlement price, a Variation Margin can only arise from positions which were opened or closed on the current exchange trading day. A Variation Margin is not incurred for existing positions from the preceding exchange trading day.

As a next step, the next partial delivery is prepared for settlement. As a rule, the next partial delivery comprises the delivery day following the next exchange trading day. For example, on an exchange trading day which is a Tuesday the delivery day Thursday (first delivery day after the next exchange trading day – Wednesday) is prepared for settlement as a partial delivery. If this delivery day as such is not an exchange trading day, the partial delivery comprises all subsequent delivery days up to and including the next exchange trading day which follows it. In the case of a month future, the partial delivery on an exchange trading day which is a Thursday not only comprises the delivery day of Saturday (the delivery day which follows the next exchange trading, which is a Friday) but also includes the delivery days of Saturday and Monday (first exchange trading day which follows it).

Once the scope of the partial deliveries to be settled is known, nominations for reporting to the network operators, the cash payments for the partial delivery and, if applicable, the statutory VAT for the partial delivery can be calculated. The amount of the payment is established as the product of “contracts x delivery days of the partial delivery x 24 (delivery hours/day) x final settlement price”. VAT, which might also have to be paid, is established as a percentage of the payment (currently: 19%).

On the following exchange trading day, which is the exchange trading day preceding the respective delivery day, the payments (if applicable including VAT) between the buyer and the seller are settled. These payments are settled through the respective clearing members. Moreover, the nominations for the partial deliveries regarding natural gas are reported to the respective network operator on this day. ECC settles the spot and derivatives transactions via two separate balance areas and/or hub accounts for the Spot Market and the Derivatives Market.

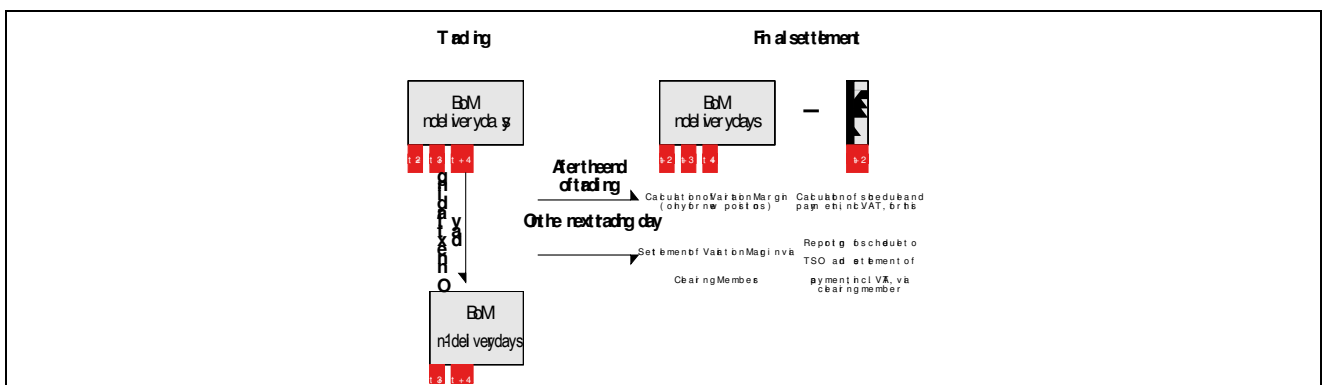


Figure 5.1: Physical settlement of NCG and/or GPL Baseload Month Futures

Likewise, the contract volume of the BoM contract is reduced accordingly by the product “delivery days of the partial delivery x delivery hours/day” in trading on the following exchange trading day.

ECC reserves the right to have the trading participant’s capacity to deliver and take delivery confirmed by the trading participant by means of a proof of a valid balance area and/or hub account contract up to five days before delivery. In case of an insufficient capacity to deliver and/or take delivery, ECC can have the positions in month futures closed out.

The physical delivery of a partial delivery described here is prepared for the last time two exchange trading days before the last delivery day. After the end of trading on this day, the corresponding month future expires and the last partial delivery is settled on the exchange trading day before the last delivery day.

5.2.2.4. Final settlement price

The settlement price for year futures, season futures and quarter futures is determined on the last trading day (i.e. upon maturity) and is referred to as the final settlement price. This final settlement price defines the value of the position to be cascaded.

In the case of Baseload Month Futures, the final settlement price constitutes the basis for the settlement of the delivery of natural gas (physical settlement) and is, hence, already determined two exchange trading days before the first delivery for these futures (BoM settlement). The calculation of the settlement prices is described in detail in the concept “Introduction to Exchange Trading on EEX”.

5.3. Margins for Spot Market transactions

In the case of spot transactions in natural gas, the network operators assume the physical settlement risk from the time of nomination so that a trading participant only has to deposit margins for outstanding cash payments from that time onwards.

The Initial Margin is used to cover intraday risks arising from payment obligations in Spot Market transactions for the delivery of natural gas. Subject to the assumption of the current market price, the intraday risks correspond to the liquidation losses or liquidation profits of open positions in money for the delivery of commodities, if applicable including sales tax (liabilities and accounts receivable of a clearing member for the payment of money), which result from the Spot Market transactions specified. The intraday risks are highest when the accounts receivable and liabilities of a clearing member for the delivery of natural gas from Spot Market transactions fluctuate strongly and they are the higher, the higher the balance of accounts receivable and liabilities is.

The Initial Margin corresponds to the maximum payment obligation of a trading participant to be expected in the future. As a rule, the amount of the initial margin is re-established by ECC on a daily basis at the beginning in line with the changing trading behaviour. ECC uses historical payment obligations as the data basis.

The document “ECC Margining“, which is published on the website of ECC, contains details and examples regarding the calculation of margins. The Initial Margin can be deposited in cash or in securities by the clearing members.

5.4. Margining in Derivatives Market Transactions

Whenever a position is opened, a trading participant has to deposit a basic margin, the so-called Additional Margin, with its clearing member and the clearing member has to deposit said margin with ECC. On other exchanges this margin is also called the Initial Margin. It covers the risk of the maximum costs incurred in closing-out all open positions of a trading participant on the next exchange trading day subject to the assumption of the most unfavourable development of prices. The Additional Margin is fixed for the entire term of the contract. ECC determines the amount of the Additional Margin.