

*Official Gazette dated 02/02/2020, numbered 31027*

**From the Energy Market Regulatory Authority:**

**BOARD DECISION**

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**Decision No:** 8965-2

**Decision Date:** 05/12/2019

In the Energy Market Regulatory Board meeting dated 5 December 2019, it has been resolved to approve the attached "Power Futures Market Operation Procedures and Principles" and to publish these Procedures and Principles in the Official Gazette.

**POWER FUTURES MARKET OPERATION PROCEDURES AND PRINCIPLES**

**CHAPTER ONE  
General Provisions**

**Purpose**

**ARTICLE 1 – (1)** The purpose of these Procedures and Principles is to regulate the matters regarding the trading of electricity futures contracts within EPIAŞ in a reliable, transparent, efficient, stable, fair and competitive environment.

**Scope**

**ARTICLE 2 – (1)** These Procedures and Principles cover the procedures and principles regarding the rights and obligations of the Market Operator, central settlement institution and market participants regarding the power futures market, transactions carried out in the power futures market, registration and settlement transactions, collateral and default management and default collateral account within the scope of the Electricity Market Law No. 6446, dated 14/03/2013.

**Legal Basis**

**ARTICLE 3 – (1)** These Procedures and Principles have been prepared based on the Electricity Market Balancing and Settlement Regulation published in the Official Gazette dated 14/04/2009 and numbered 27200.

**Definitions and Abbreviations**

**ARTICLE 4 – (1)** The following shall apply to the implementation of these Procedures and Principles:

a) Open position: Positions that are not closed as a result of transactions carried out in the market or by the methods specified in the relevant legislation, by a reverse transaction, physical delivery or other methods specified in these Procedures and Principles;

b) Starting price: Refers to the base price of each contract determined on the first trading day, or, in case of a temporary suspension of trading of a contract, it refers to the base price determined at the time of reopening and on trading days after the first trading day, it refers to the last daily benchmark price announced;

c) Base price: Refers to the price used to calculate the daily price change limits for the first day of trading of each contract, or, in case of a temporary suspension of trading of a contract, it refers to the price determined at the time of reopening;

ç) Billing period: The period that begins at 00:00 hours on the first day of a calendar month and ends at 24:00 hours on the last day of that month;

d) Intraday market: Intraday market refers to the organized wholesale electricity market where electricity is traded until the gate closure time;

e) Day-ahead market: Organized wholesale electricity market established and operated by the Market Operator on the basis of the settlement period for electricity purchase and sale transactions to be delivered on the next day;

f) Daily benchmark price: The price determined on a daily basis within the framework of the principles specified in these Procedures and Principles for each contract to be opened to trade by the Market Operator;

g) Relevant legislation: Laws, regulations, communiqués, circulars, board decisions regarding the electricity market and the regulations issued by the Market Operator;

ğ) Trading: Refers to contracts opened to trade by the Market Operator in different delivery periods and load types subject to purchase and sale in the market;

h) Trading day: The days when the markets are open for trading;

ı) Law: Electricity Market Law No. 6446;

i) Short position: The position with respect to transactions made in the power futures market that gives its owner the obligation to deliver electricity at a certain price point and volume at the delivery period of the contract;

j) Commission: Price Determination and Default Management Commission;

k) Contract: The contract that creates the obligation to take delivery or deliver electricity at the matched price in a specific delivery period and load type, in a specific bidding zone;

l) Contract gate closure time: The end of the session on the last trading day for each contract;

m) Board: Energy Market Regulatory Board;

n) Authority: Energy Market Regulatory Authority;

o) Lot: The volume of energy equivalent to 0,1 MW units of power for each settlement period subject to delivery, that is used to submit bids;

ö) Central settlement institution: The institution established as a central clearing institution in accordance with the Capital Markets Law No. 6362 dated 6/12/2012, in order to carry out financial transactions to be determined by the Electricity Market Balancing and Settlement Regulation among market participants;

p) Organized wholesale electricity markets: Day-ahead market, intraday market and other electricity markets requiring post-dated physical delivery, where electricity, capacity or retail purchase is carried out and that is organized and operated by a central intermediary legal entity with a market operating license, and the markets operated by Borsa İstanbul Anonim Şirketi where standardized electricity contracts traded as capital markets instruments and derivative products

based on electricity and/or capacity are traded; and electricity markets such as the balancing power market and ancillary services market organized and operated by TEİAŞ;

r) Market Operator: Energy Markets Operator Company of Turkey;

s) Market maker: Market participants designated to encourage the establishment of a liquid and continuous market in the power futures market, whose duties and obligations are specified in these Procedures and Principles;

ş) Market management system (MMS): Applications that are offered to the use of the Market Operator, system operator, market participants and legal entities with transmission and distribution licenses responsible for reading the meters and running on a thin client, in order to carry out the balancing mechanism and settlement procedures;

t)<sup>1</sup> Position closure: Termination of positions by an equal amount of reverse transactions or elimination of positions by default management transactions for the same contract;

u) Session: The period of time in which contracts are open for purchase and sale;

ü) Post-session: On trading days, the period of time from closure of the order book to trading and announcement of the daily benchmark price;

v) Default collateral account: Account excluding collaterals provided by market participants and funded with the contributions of market participants to be held by the central settlement institution and the Market Operator to be used in case market participants do not fulfill their obligations regarding the power futures market;

y)<sup>2</sup> Reverse transaction: Elimination of all or part of the position by taking short position against long position and long position against short position for the same contract;

z) Order book: MMS screen, where orders submitted to contracts by participants of power futures market are listed;

aa) Long position: The position with respect to transactions made in the power futures market that gives its owner the obligation to receive electricity at a certain price and volume at the delivery period of the contract;

bb) Power futures market (VEP): The power futures market imposing physical delivery obligations on market participants;

cc) Power Futures Market Participation Agreement: The standard agreement signed by a market participant to participate in the power futures market;

çç) Regulation: Electricity Market Balancing and Settlement Regulation,

dd) Method: Power Futures Market Method;

(2) Terms and abbreviations that are used in these Procedures and Principles but not defined herein shall have the meanings and scope attributed to them in the relevant legislation.

## **CHAPTER TWO**

### **General Principles of Power Futures Market, Contracts, Staggering Process, Participation Status**

#### **General principles of Power Futures market**

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<sup>1</sup> Amended pursuant to the Regulation published in the Official Gazette dated 06 May 2021 and numbered 31476.

<sup>2</sup> Amended pursuant to the Regulation published in the Official Gazette dated 06 May 2021 and numbered 31476.

**ARTICLE 5 –** (1) The general principles of the power futures market are as follows:

a) Transactions shall be carried out on the basis of the bidding zone, delivery period and load type.

b) The prices to be used in the settlement accounts shall be determined on a settlement period basis for each commercial transaction.

c) Contracts shall be traded according to the continuous trading method during the session. Orders can be submitted regarding a contract and they can be updated as long as the orders submitted do not match until the contract gate closure time of said contract.

ç) The Market Operator may temporarily decide to use the auction method instead of the continuous trading method in trading of open contracts.

d) The orders submitted by market participants shall be instantly evaluated and compared with the orders in the opposite direction and matched if the conditions are suitable.

e) The status of orders can be viewed instantly by market participants on MMS screens.

f) The orders submitted by the market participants shall be evaluated without discrimination among market participants.

g) Activities carried out in the power futures market shall be fulfilled in accordance with the principles of transparency and responsibility.

ğ) Matching orders shall oblige a market participant to deliver or take delivery of electricity at the match price for the designated time period in terms of load type and delivery period.

h) When an open position is closed before the relevant contract is closed to trading, the physical delivery obligation of the market participant shall be deemed eliminated.

ı) The Market Operator shall be the counterparty of the relevant market participant in each match that takes place.

### **Contracts**

**ARTICLE 6 –** (1) Contracts shall be opened to trade in the power futures market, by the Market Operator through designation of bidding zone, delivery period and load type.

(2) Contracts shall be opened to trade with the base price determined in accordance with Article 28.

(3) Matters regarding contracts to be opened to trade in the power futures market shall be announced by the Market Operator on its website.

(4) The contracts to be opened to trade by the Market Operator, the number of contracts in the order book that are open to trade at the same time, the opening and closing dates of the contracts, the contract gate closure time and other matters regarding the contracts shall be governed by the Method.

(5) Different delivery periods and load types may be defined by the Market Operator in line with market needs. The newly defined contracts shall be opened to trade by notifying the market participants and the Authority.

### **Delivery period**

**ARTICLE 7 –** (1) Delivery period shall refer to the dates of physical delivery obligations of market participants who are parties to the relevant contract.

(2) The following contracts may be opened to trade by the Market Operator on a delivery period basis:

a) Daily contract; contract, physical delivery of which starts in the first settlement period designated by the load type within the relevant delivery date and ends at the end of the last settlement period;

b) Weekly contract; contract, physical delivery of which starts on Monday of the relevant delivery week and ends on Sunday of the same week;

c) Monthly contract; contract, physical delivery of which starts on the first day of the relevant delivery month and ends on the last day of the same month;

ç) The remainder of the month contract; contract, physical delivery of which starts on the second day after the current day of the relevant delivery month, and ends on the last day of the same delivery month;

d) Quarterly contract; contract, physical delivery of which covers a total period of 3 months;

i) First quarter contract; starts on the first day of January and ends on the last day of March;

ii) Second quarter contract; starts on the first day of April and ends on the last day of June;

iii) Third quarter contract; starts on the first day of July and ends on the last day of September;

iv) Fourth quarter contract; starts on the first day of October and ends on the last day of December;

e) Annual contract; contract, physical delivery of which starts on the first day of January of each year and ends on the last day of December of the same year;

f) Weekday contracts; contract, physical delivery of which starts at 00:00 hours on the first weekday of the relevant delivery period and ends at 24:00 hours on the last weekday;

g) Weekend contracts; contract, physical delivery of which starts at 00:00 hours on the first day of the weekend of the relevant delivery period and ends at 24:00 hours on the last day of the weekend.

(3) Different delivery periods may be defined by the Market Operator in line with market needs, provided that the Market Operator notifies the Authority and notifies the market participants via the MMS.

### **Load type**

**ARTICLE 8** – (1) Load type shall refer to the settlement periods subject to physical delivery on each day of the delivery period, which includes the physical delivery obligations of the market participants who are parties to the relevant contract.

(2) The load types of contracts that can be opened to trade by the Market Operator shall be defined as follows:

a) Base load; shall mean the purchase and sales volume of market participants, so as to be equal on the basis of each settlement period between 00:00-24:00 hours of each day subject to physical delivery within the delivery period;

b) Peak load; shall mean the purchase and sales volume of market participants, so as to be equal on the basis of each settlement period between 08:00-20:00 hours of each day subject to physical delivery within the delivery period;

c) Off-peak load; shall mean the purchase and sales volume of market participants, so as to be equal on the basis of each settlement period between 00:00-08:00 hours and 20:00-24:00 hours of each day subject to physical delivery within the delivery period.

(3) New load types may be defined and the period of time that the existing load types cover may be changed by the Market Operator in line with market needs, provided that the Market Operator notifies the Authority and notifies the market participants via the MMS.

### **Staggering of contracts**

**ARTICLE 9** – (1) Annual and quarterly contracts to be opened to trade by the Market Operator shall be terminated within the periods specified in the Method, and staggered by transferring the open positions in annual contracts to quarterly contracts and by transferring the open positions in quarterly contracts to monthly contracts.

(2) The positions of the market participants transferred to new contracts as a result of the staggering process and the positions in the opposite direction related to the same contract, if any, shall be clarified.

(3)<sup>3</sup> Staggering process shall mean the transfer of the following open positions within the periods specified in the Method by using the weighted average price:

a) The positions in the annual contract to 4 quarterly contracts covering the same year following the announcement of the daily benchmark price on the same day, by closing said annual contract to trade;

b) The positions in the quarter contract to 3 monthly contracts covering the same quarter following the announcement of the daily benchmark price on the same day, by closing said quarter contract to trade.

### **Temporary suspension of trading**

**ARTICLE 10** – (1) The Market Operator may temporarily suspend the transactions related to the relevant contract or the relevant session if at least one of the following events occur:

a) Emergence of important information, news and/or extraordinary developments that will affect the prices in the power futures market;

b) Performance of transactions that may prevent the daily benchmark price from being reliably determined by market participants;

c) Occurrence of technical problems that prevent the proper execution of transactions;

ç) Performance of planned maintenance and infrastructure works on the software operated by the Market Operator. The decision to temporarily suspend trading for the cases specified in subparagraphs (a) and (b) shall be taken by the Commission.

(2) In case the trading of the relevant contract or session is temporarily suspended by the Commission, all active orders pertaining to the relevant contract and/or contracts shall be suspended accordingly.

(3) In case the trading is temporarily suspended by the Market Operator, this situation shall be announced to the market participants and notified to the Authority, together with the grounds thereof.

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<sup>3</sup> Amended pursuant to the Regulation published in the Official Gazette dated 06 May 2021 and numbered 31476.

(4) In case trading of a contract is temporarily suspended, the contract in question may be reopened at the price announced per the procedures determined by the Market Operator or at its current price.

(5) In case of temporary suspension of trading, the suspended active orders shall be included in the order book maintaining their priority, if they meet the order notification conditions set out in these Procedures and Principles at the time of reopening of the contracts.

### **Termination of trading of contracts**

**ARTICLE 11** – (1) Contracts traded in the market may be terminated by the Market Operator if there has been no trading or open position in the relevant contract for the period specified in the Method.

(2) After the termination of the trading of a contract, the relevant contract can be reopened by the Market Operator, provided that the basic elements remain unchanged

### **Deactivating participation status in the power futures market**

**ARTICLE 12** – (1) In case the market participants request that their participation status in the power futures market be deactivated as designated by the Market Operator and announced on the website, the status shall be deactivated on the same day, provided it does not have an open position in the power futures market; and the status shall be deactivated on the business day following the closing of the open positions, provided it does have an open position. In case the open positions are not closed by market participants, the foregoing procedure shall not be carried out until said positions are closed.

(2)<sup>4</sup> In case the licenses of the market participants are canceled, terminated or the license term expires, the participation status in the power futures market shall be deactivated on the day that the license expires or the cancellation decision is served to the Market Operator. Its open positions shall be closed by the Market Operator in accordance with Article 52.

(3) The provisions of this Article shall also be applied to the notifications regarding the termination of the power futures market participation agreement by the Market Operator, the state of default and the insolvency of the market participants.

(4) Deactivation of a market participant's participation status in the power futures market does not eliminate debts and receivables accrued or to be accrued.

## **CHAPTER THREE**

### **Daily Workflow**

#### **Daily workflow processes**

**ARTICLE 13** – (1) The daily workflow in the power futures market shall include pre-session, session, post-session, daily benchmark price announcement and end-of-day procedures.

(2) The Market Operator may temporarily change the start and end times of the session for the relevant day. If the Market Operator temporarily changes the start and end times of a session, the processes regarding post-session, daily benchmark price announcement and end-of-day

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<sup>4</sup> Amended pursuant to the Regulation published in the Official Gazette dated 06 May 2021 and numbered 31476.

procedures can also be changed and said changes shall be notified to the market participants via the MMS.

### **Pre-session**

**ARTICLE 14** – (1) In the power futures market, the period between 10:00 and 13:00 hours on days when contracts are traded shall be defined as pre-session. Entry of active orders, special transaction notifications and matching transactions cannot be performed in the pre-session, although the relevant MMS screens can be accessed. In the pre-session, the market participants can:

- a) access the relevant screens in the MMS;
  - b) inquire about its collateral status, open positions and orders;
  - c) cancel or deactivate orders remaining from previous Trading days;
  - ç) record its orders as passive so that they can be sent to the order book later on;
  - d) check its matches that took place in the previous sessions, the orders it has submitted, the transaction flows of the previous sessions and the staggering procedures performed.
- (2) Suspended orders shall be included in the order book by preserving their priority, if they meet the order notification conditions set out in these Procedures and Principles at the beginning of the session.

### **Session**

**ARTICLE 15** – (1) Session starts at 13:00 and ends at 16:00 on business days when the power futures market is open for trading. The power futures market is closed to trading on weekends or on public holidays and on business days that are half-day public holidays.

(2) In the session, the market participants can:

- a) enter orders;
- b) make special transaction notification;
- c) change the volume and price of its active and passive orders;
- ç) cancel or deactivate its active orders;
- d) activate its passive orders and send them to the order book or cancel them;
- e) appeal within the specified periods;
- f) check its matches that took place in the previous sessions, the orders it has submitted, the transaction flows of the previous sessions and the staggering procedures performed.

### **Post-session**

**ARTICLE 16** – (1) Post-session starts at 16:00 and ends at 16:45 on business days when the power futures market is open for trading.

(2) In the post-session:

- a) All contracts shall be closed to trading for the relevant day;
- b) Entry of new orders and update of existing orders shall not be allowed until pre-session;
- c) The matching of appropriate active orders among active orders submitted by market participants for contracts that are not matched pertaining to different delivery periods and load types shall be performed within the framework of the rules specified in the Method. Said matches shall not be taken into account when calculating the daily benchmark price.



(3) On each trading day, the daily benchmark price shall be calculated by using the procedures specified in these Procedures and Principles.

(4) Before the announcement of the daily benchmark price calculated for each contract, the Market Operator shall carry out the procedures to eliminate the differences between the daily benchmark prices within the framework of the rules specified in the Method, in view of the daily benchmark prices of other contracts related to the relevant contracts.

#### **The daily benchmark price announcement process**

**ARTICLE 17** – (1) Following the end of post-session of each trading day, the daily benchmark price shall be announced upon the execution of procedures set forth in the fourth paragraph of Article 16.

#### **End-of-day procedures**

**ARTICLE 18** – (1) Following the announcement of the daily benchmark price, the following end-of-day procedures shall be carried out by the Market Operator until 17:00:

a) Among the current active orders, those that fall outside the price change limits shall be canceled, and those that fall within the price change limits shall be “suspended”.

b) The collateral requirement to be submitted by each market participant shall be calculated and notified to the central settlement institution.

c) The contracts that are on their last trading day shall be closed to trading.

ç) The new contracts to be opened in place of the contracts closed to trading shall be announced.

d) If it is the last trading day of annual or quarter contracts, staggering procedure shall be performed at the end of the day.

## **CHAPTER FOUR**

### **Orders and Matching of Orders**

#### **General rules for orders**

**ARTICLE 19** – (1) Market participants may submit orders in a specific bidding zone, delivery period and load type in the power futures market.

(2) Market participants may submit divisible and/or indivisible orders for contracts in the power futures market. Divisible orders may be fully or partially matched, and indivisible orders may be fully matched.

(3) The price and volume specified in the orders shall be valid for each settlement period determined by the load type on the days covering the delivery period of the relevant contract.

(4) Order prices shall be reported as TL/MWh values, with one percent sensitivity, and order volumes shall be reported in terms of 1 lot and its integer multiples.

(5) Matters such as the maximum order size that can be submitted for each contract via the MMS in the power futures market shall be specified in the Method.

(6) The price in the bid shall be the maximum price offered by the market participant to purchase the volume of electricity that does not exceed the volume specified in the bid.

(7) The price in the offer shall be the minimum price offered by the market participant to sell the volume of electricity that does not exceed the volume specified in the offer.

### **Required content for orders**

**ARTICLE 20** – (1) Orders submitted to contracts in the power futures market shall contain at least the following information:

- a) Market participant's name and participation code;
- b) Delivery period and load type that the order is valid;
- c) The bidding zone where the order is valid;
- ç) Order type;
- d) The direction of the order;
- e) Price and volume;
- f) Order validity period;

and other information to be announced to the market participants via the MMS.

### **Submission of orders**

**ARTICLE 21** – (1) Market participants shall submit their orders regarding any contract to the Market Operator via the MMS within the session until the gate closure time of the relevant contract.

(2) In order for orders to be registered:

- a) The order price shall remain within the daily price change limits;
- b) The order volume shall not exceed the maximum order size;
- c) The calculated total collateral amount shall have been submitted;
- ç) The position limits shall not be exceeded on a market participant basis in orders to increase net position;
- d) Market participant's license term;

shall be checked and orders that meet the foregoing requirements shall be registered.

(3) The orders shall be submitted by assigning a registration number to the order and registering it with a minimum sensitivity of milliseconds.

(4)<sup>5</sup> An order that is duly registered to the MMS and validity period of which has not expired, shall remain active as long as the relevant contract is open to trade, provided that it is not matched, canceled or suspended and it continues to comply with the order registration requirements.

### **Order types and characteristics**

**ARTICLE 22** – (1) Standard orders may be submitted to the power futures market by market participants. A standard order is a purchase bid or sales offer with a specific price and volume information.

(2) The characteristics, such as validity period of orders to be used by market participants in the power futures market, full or partial matching thereof and whether or not they are included in the order book, shall be specified in the Method.

(3) The Market Operator may define new order types and characteristics regarding the power futures market by making an announcement to the market participants in advance.

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<sup>5</sup> Amended pursuant to the Regulation published in the Official Gazette dated 06 May 2021 and numbered 31476.

### **Priority rules in matching of orders**

**ARTICLE 23<sup>6</sup>** – (1) The procedures regarding matching of orders shall be carried out following the active recording of orders submitted for all contracts by market participants to the power futures market, as follows:

- a)<sup>7</sup> The orders shall be evaluated separately for each contract type within the session.
- b) The order with a better price shall be given priority among orders given in the same bidding zone, delivery period, load type, and in the same direction.
- c) The order registered first according to the system time shall be given priority among orders with the same price, in the same bidding zone, delivery period, load type and in the same direction.
- ç) Orders with the highest price for the purchase bid and the lowest price for the sales offer shall be shown as the best order in the order book.
- d) If the orders match, the relevant orders for the parties shall turn into positions.

### **Matching rules for purchase bids and sales offers**

**ARTICLE 24** – (1) A purchase bid recorded in the order book shall be fully or partially matched with the best offer with appropriate price, and a sales offer recorded in the order book shall be fully or partially matched with the best purchase bid with appropriate price. The match price shall be the price of the order registered first.

(2) Matters such as full or partial matching of orders recorded in the order book and update of the order book shall be specified in the Method.

(3) The procedures relating to matching of the appropriate active orders among active orders submitted by market participants to the power futures market for contracts pertaining to different delivery periods and load types that are not matched, shall be specified in the Method

### **Commercial transaction approval**

**ARTICLE 25** – (1) Matched orders shall be removed from the best priced order list and the Market Operator shall notify the relevant market participants of their commercial transaction approvals via the MMS. In case of a partial match, the remaining volume that is not matched shall keep its place in the order book for as long as the order is valid.

(2) Commercial transaction approval shall contain at least the following information:

- a) Market participant's name and participation code;
- b) Bidding zone, delivery period and load type that the matching is valid for;
- c) Price and purchase-sales volumes regarding the match;
- ç) Other information to be announced to the market participants via the MMS as deemed necessary by the Market Operator.

### **Power futures market appeal process**

**ARTICLE 26** – (1) The market participants shall be given 15 minutes following the notification to make an appeal, if there is an error in notifications regarding their commercial transaction approvals. However, such appeals can be made until 5 minutes past the session end

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<sup>6</sup> Amended pursuant to the Regulation published in the Official Gazette dated 06 May 2021 and numbered 31476.

<sup>7</sup> Amended pursuant to the Regulation published in the Official Gazette dated 06 May 2021 and numbered 31476.

time. Appeals shall be accepted only if the error is attributable to the Market Operator. If the appeal is justified, the Market Operator shall send the corrected commercial transaction approval to the relevant market participants within 20 minutes after the appeal is made.

(2) Unless the Market Operator finds that the appeal made is justified, the relevant market participant is not relieved of its obligations. The market participant that does not raise an appeal within the given period, shall be deemed to have accepted the commercial transaction approval together with all its contents. After the end of the appeal period, commercial transaction approvals shall become a contract.

(3) In case of multiple appeals relating to commercial transaction approvals of a contract, the Market Operator shall evaluate the appeals and may suspend the relevant contract by making an announcement to the market participants.

(4) A fee of TL 200 per appeal shall be added to the market participant's market operating fee for appeals that are not accepted by the Market Operator.

## **CHAPTER FIVE**

### **Prices**

#### **Daily benchmark price**

**ARTICLE 27<sup>8</sup>** – (1) The daily benchmark price shall be used to calculate the required collateral of market participants for their positions at the end of the session and to determine the starting price at which the relevant contract will be traded for the next trading day.

(2) The rules regarding calculation of daily benchmark price shall be regulated in the Method.

(3) If the daily benchmark price for a contract cannot be calculated within the framework of rules specified in the Method or the calculated price does not reflect the market correctly, the daily benchmark price shall be determined by using the survey, auction and theoretical price determination methods individually or collectively. If it is held that the price determined by the Commission by using the foregoing methods does not reflect the market reality, the daily benchmark price of the previous day shall be announced as the daily benchmark price of the relevant contract.

(4) Before the announcement of the daily benchmark price calculated for each contract, the Market Operator shall carry out the procedures to eliminate the differences between the daily benchmark prices within the framework of the rules specified in the Method, in view of daily benchmark prices of other contracts related to the relevant contracts.

(5) Indicators to be used for daily benchmark price calculation can be changed by the Market Operator on the basis of all contracts and/or contract in accordance with the procedures specified in the Method and this is to be notified to the Authority and notified to the market participants via the MMS.

#### **Base price**

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<sup>8</sup> Amended pursuant to the Regulation published in the Official Gazette dated 06 May 2021 and numbered 31476.

**ARTICLE 28** – (1) The base price to be used to calculate the daily price change limits for the first day of trading of each contract or for the day that a contract whose trading is temporarily suspended is reopened shall be determined and announced by the Market Operator.

(2)<sup>9</sup> The base price shall be determined by the Commission by using the survey, auction and theoretical price determination methods individually or collectively until the end of the last business day before the contract is opened to trade, or before reopening a contract whose trading is temporarily suspended.

#### **Starting price**

**ARTICLE 29** – (1) At the beginning of the session, for each contract, the opening price shall be used to review the daily price change limits.

(2) The following shall be taken as the opening price for each contract:

- a) The base price determined for the first day of trading of the relevant contract;
- b) The last daily benchmark price announced on the trading days after the first trading day of the relevant contract;
- c) The base price re-determined in case the trading of the relevant contract is temporarily suspended and reopened.

#### **Survey method**

**ARTICLE 30**<sup>10</sup> – (1) The Market Operator may conduct a survey to determine the following;

- a) the daily benchmark price of contracts for which the daily benchmark price cannot be calculated due to insufficient number of transactions being performed in the market;
- b) the base price of a contract to be traded for the first time;
- c) the base price of a contract, in case of insufficient price change limits during the session regarding the relevant contract;
- ç) the base price of a contract, in case of temporary suspension of the trading of the relevant contract or session.

The market participants may participate in the survey via the MMS through their authorized users.

(2)<sup>11</sup> The market participants to participate in the survey shall not be in default in the power futures market as of the day of the survey.

(3) Matters as to the processes regarding the survey, evaluation of the prices entered in the survey, calculation of the price at the end of the survey, announcement of the calculated price as the base price or the daily benchmark price, and additional conditions regarding the participation of the market participants in the survey shall be regulated in the Method.

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#### **Auction method**

**ARTICLE 31**<sup>12</sup> – (1) The Market Operator may hold an auction to determine the following:

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<sup>9</sup> Amended pursuant to the Regulation published in the Official Gazette dated 06 May 2021 and numbered 31476.

<sup>10</sup> Amended pursuant to the Regulation published in the Official Gazette dated 06 May 2021 and numbered 31476.

<sup>11</sup> Amended pursuant to the Regulation published in the Official Gazette dated 06 May 2021 and numbered 31476.

<sup>12</sup> Amended pursuant to the Regulation published in the Official Gazette dated 06 May 2021 and numbered 31476.

- a) the daily benchmark price of contracts for which the daily benchmark price cannot be calculated due to insufficient number of transactions being performed in the market;
- b) the base price of a contract to be traded for the first time;
- c) the base price of a contract, in case of insufficient price change limits during the session regarding the relevant contract;
- ç) the base price of a contract, in case of temporary suspension of the trading of the relevant contract or session.

The market participants may participate in the auction via the MMS through their authorized users.

(2)<sup>13</sup> The market participants to participate in the auction shall not be in default in the power futures market as of the day of the auction.

(3) It is essential that the orders to be submitted to the auction meet the order notification conditions set out in these Procedures and Principles, excluding the daily price change limits.

(4) Matters as to the processes regarding the auction, evaluation of orders, calculation of price at the end of the auction, announcement of the calculated price as the base price or the daily benchmark price shall be regulated in the Method.

### **Theoretical price method**

**ARTICLE 32** – (1) In order to determine the base price or daily benchmark price of the relevant contract by the Market Operator, the theoretical price may be calculated by taking into account the daily benchmark prices of other contracts that are open to trade for the relevant day.

(2) Matters as to the calculation of the theoretical price for contracts in the same delivery period and bidding zone but in different load types, and contracts in the same bidding zone and load type but in delivery periods shall be regulated in the Method.

### **Daily price change limits**

**ARTICLE 33** – (1) Daily price change limits shall be determined by the Market Operator and announced to the market participants via the MMS.

(2) The daily price change limit shall be determined by using the daily price change rate of the relevant contract, which is determined over the starting price of each open contract.

(3) Daily price change limit shall not be applied to the remainder of the month contracts.

(4) The daily price change rate may be temporarily or permanently changed by the Market Operator on a session and/or contract basis before or during the session in case of emergence of extraordinary circumstances or market conditions. Said change shall be announced to the market participants.

## **CHAPTER SIX**

### **Position Limits**

#### **Position limits**

**ARTICLE 34** – (1) The market position limit and participant position limit shall be determined by the Market Operator in the power futures market.

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<sup>13</sup> Amended pursuant to the Regulation published in the Official Gazette dated 06 May 2021 and numbered 31476.

### **Market position limits**

**ARTICLE 35** – (1) The market position limit shall be the maximum open position amount that the total open position in the market for all contracts may correspond to.

(2) The market position limit shall be determined and announced as the volume that can result in an open position of one fourth of the annual electricity consumption forecast volumes for the next five years according to the reference scenario in the Turkey's Electricity Demand Forecast Report prepared and published by the Ministry of Energy and Natural Resources. The Market Operator may update the market position limit in view of market developments.

(3) Matters as to the calculation of the volume corresponding to each delivery period of the market position limit and the additional limits that may be determined for said delivery periods shall be announced by the Market Operator via the MMS.

### **Participant position limits**

**ARTICLE 36**<sup>14</sup> – (1) The position limits to be calculated for the market participants who are trading in the power futures market shall be regulated in the Method.

(2)<sup>15</sup>

(2) The market participants, whose position limits are determined, may hold short and/or long positions.

(3) Market participants who have reached the position limit shall not be allowed to perform transactions to increase their net position.

(4)<sup>16</sup> A temporary restriction may be imposed on market participants' trading in a direction to increase position within the framework of the rules specified in the Method, in view of the amount of open positions created as a result of the transactions performed by market participants on a contract basis, despite position limits not being reached.

(5) The position limit calculated for each market participant shall not exceed 10% of the market position limit. This limit may be increased by the Market Operator up to 20% for the accounts of the market participants that are opened for market making activities.

(6) The position limit rate of market participants shall be updated once every month and announced to market participants. The default collateral account contribution shares of market participants whose position limits change shall be re-calculated and announced to the relevant market participants.

(7) The market participants who have reached the participant position limit may submit their requests to increase their position limits to the Market Operator, together with the grounds thereof. The default collateral account contribution share of the market participant, whose aforesaid requests are accepted, shall be re-calculated. The total position limits of market participants, who have restored their default collateral account contribution share, shall be increased.

(8) Market participants may apply to the Market Operator to decrease their position limits. The position limits of market participant, whose aforesaid requests are accepted, shall be decreased. In case the requested default collateral account contribution shares of the market

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<sup>14</sup> Amended pursuant to the Regulation published in the Official Gazette dated 06 May 2021 and numbered 31476.

<sup>15</sup> Repealed pursuant to the Regulation published in the Official Gazette dated 06 May 2021 and numbered 31476.

<sup>16</sup> Inserted pursuant to the Regulation published in the Official Gazette dated 06 May 2021 and numbered 31476.

participants decrease, the excess amount, if any, shall be released as a result of the calculation of the next default collateral account size.

(9) The Market Operator may re-determine the position limits of market participants, in view of market developments.

## **CHAPTER SEVEN**

### **Special Transaction Notification**

#### **Special transaction notification**

**ARTICLE 37<sup>17</sup>** –(1) Market participants may make a special transaction notification to the Market Operator via the MMS in order to convert their orders of no less than 1 lot and its integer multiples into a position without including them in the order book.

(2) Special transaction notifications that meet the approval conditions below shall turn into positions with the approval of the counterparty.

a) Market participants making a special transaction notification shall submit at least the following information to the Market Operator via the MMS:

- 1) The direction of the notified position;
- 2) Bidding zone;
- 3) Load type;
- 4) Delivery period;
- 5) Volume;
- 6) Price;
- 7) The counterparty of the special transaction notification.

b) When a market participant is making a special transaction notification, the daily price change limits applicable to the relevant contract in the power futures market shall not be applicable.

c) The position limit, collateral and license term for the market participant who makes a special transaction notification via the MMS shall be reviewed by the Market Operator. If, as a result of said review, it is identified that the relevant order notification conditions are not met, said special transaction notification shall not be recorded in the MMS.

ç) The special transaction notifications of the market participant that meet the specified conditions shall be submitted to the approval of the market participant, who is the notified counterparty of the transaction. Before the market participant, who is a party to said transaction, approves the notification, the notifying market participant may update the information or cancel the notification.

(3) The counterparty to the special transaction notification may approve or reject the notification submitted to its approval.

(4) During the approval of the special transaction notification by the counterparty, the position limit and license term of the relevant participant and sufficiency of the total required collateral shall be reviewed.

(5) In calculating the collateral for the relevant parties, the required collateral amounts shall be calculated by also taking account the position to be held as a result of the special transaction

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<sup>17</sup> Amended pursuant to the Regulation published in the Official Gazette dated 06 May 2021 and numbered 31476.



notification, the current positions of the market participants along with netting and the occurrence of a full spread position collateral discount.

(6) The special transaction notification process shall be completed within the same session. If it is not approved within the same session, or the position limits are exceeded during its approval, or the license terms are invalid or the required collateral amount is insufficient, the special transaction notification shall not be allowed to be approved and it shall be canceled. The relevant market participants shall be notified via the MMS.

(7) The market rules regulated by these Procedures and Principles shall apply to the positions held as a result of special transaction reporting. In case a special transaction notification is made at a price that falls outside the daily price change limit of the relevant contract, the following collateral amounts shall also be taken into account when calculating the collateral:

a) In case of entry of a price that is below the said limit, the collateral from the market participant who is the seller of the relevant special transaction notification shall be in the amount to be found by multiplying the difference between the starting price of the relevant contract determined for the relevant day and the price of the special transaction notification with the contract size and notification volume,

b) In case of entry of a price that is above the said limit, the collateral from the market participant who is the buyer of the relevant special transaction notification shall be in the amount to be found by multiplying the difference between the price of the special transaction notification and the starting price of the relevant contract determined for the relevant day with the contract size and notification volume.

(8) The special transaction notifications shall not be used in the daily benchmark price calculation of the relevant contracts on the relevant day. Price and volume statistics of special transaction notifications shall be published separately from the transactions performed in the order book, however they shall be included in the total volume and quantity statistics of the relevant contract and the whole market.

## **CHAPTER EIGHT**

### **Collaterals**

#### **Collateral review**

**ARTICLE 38<sup>18</sup>** – (1) Collateral review shall start at 12.00 hours before the session starts on days when the power futures market is open, and shall end with the final review following the end of the end-of-day procedures. Current collateral amounts shall be reviewed during this period.

(2) In each collateral review, the Market Operator shall review the total collateral amounts of the market participants regarding the power futures market.

#### **Collateral review in order entry**

**ARTICLE 39<sup>19</sup>** – (1) In orders submitted by the market participant via the MMS, the power futures market collateral amount shall be calculated by the Market Operator in view of the following;

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<sup>18</sup> Amended pursuant to the Regulation published in the Official Gazette dated 06 May 2021 and numbered 31476.

<sup>19</sup> Amended pursuant to the Regulation published in the Official Gazette dated 06 May 2021 and numbered 31476.

- a) Bidding zone,
  - b) Delivery period
  - c) Load type,
  - ç) The direction of the order,
  - d) Volume (lot),
  - e) Order price (TL/MWh),
  - f) The net loss that may occur in relation to the netting of the order with the current net position in the opposite direction regarding the same contract or physical delivery period.
  - g) Whether the order will invalidate the application of the full spread position collateral discount.
  - ğ) Whether the order will invalidate the application of the intra-market spread position collateral discount,
  - h) The amount of increase that may occur in the total power futures market collateral if the order is matched.
- (2) In new order entry, before the purchase bids and sales offers are recorded in the order book, daily price change limit and collateral reviews shall be conducted. If the market participant has sufficient collateral for the said orders, the orders shall be recorded in the order book.
- (3)<sup>20</sup> In case an order is submitted in the opposite direction in the same bidding zone, delivery period and load type as a long and/or short position held by the market participants in a specific bidding zone, delivery period and load type; the profit or loss to be calculated as a result of matching of the submitted order shall be determined and any loss shall be included in the total collateral.
- (4)<sup>21</sup> The total power futures market collateral amount of the relevant market participant shall be updated in view of all positions and active orders held as a result of matching of the submitted orders.

### **Netting of positions**

**ARTICLE 40** – (1) In order to determine the net positions held by the market participants, the Market Operator shall perform netting of positions held.

(2) As a result of matching of the long and/or short positions held by the market participants in a specific bidding zone, delivery period and load type, and its order in the same bidding zone, delivery period and load type, the positions held by said market participant in the opposite direction shall be netted over the volume of energy.

(3)<sup>22</sup> The positions held by the market participants for each contract whose delivery period has not commenced shall be netted in accordance with the formula below:

$$NPM_{p,d,i} = \sum_{u=1}^m PM_{p,d,i,u} - \sum_{k=1}^n PM_{p,d,i,k} \quad (1a)$$

<sup>20</sup> Amended pursuant to the Regulation published in the Official Gazette dated 06 May 2021 and numbered 31476.

<sup>21</sup> Amended pursuant to the Regulation published in the Official Gazette dated 06 May 2021 and numbered 31476.

<sup>22</sup> Amended pursuant to the Regulation published in the Official Gazette dated 06 May 2021 and numbered 31476.

a) If  $NPM_{p,d,i} > 0$ , the net long position amount of the market participant “p” regarding the contract “i” on day “d” is  $NPM_{p,d,i}$ .

b) If  $NPM_{p,d,i} < 0$ , the net short position amount of the market participant “p” regarding the contract “i” on day “d” is  $[NPM_{p,d,i}]$ .

c) If  $NPM_{p,d,i} = 0$ , the net position amount of the market participant “p” regarding the contract “i” on day “d” is zero.

(4) The expressions used in the formula in the third paragraph shall have the following meanings;

$NPM_{p,d,i}$  refers to the net position amount of the market participant “p” regarding the contract “i” on day “d”;

$PM_{p,d,i}$  refers to the long position amount “u” of the market participant “p” regarding the contract “i” on day “d”;

$PM_{p,d,i,k}$  refers to the short position amount “k” of the market participant “p” regarding the contract “i” on day “d”;

m refers to the number of long positions “m” regarding the contract “i”;

n refers to the number of short positions “n” regarding the contract “i”.

(5)<sup>23</sup> The calculation of the net profit or loss as a result of netting of the positions over the match prices of the market participants shall be made in accordance with the formula below, where the delivery period of the relevant contract has not commenced:

$$NKZ_{p,d,i} = \min(L_{p,u}, L_{p,k}) \times (EF_{p,i,k} - EF_{p,i,u}) \times KB_i \quad (1b)$$

$$KB_i = TDS_i \times 0,1 \text{ MW} \quad (1c)$$

a) If  $NKZ_{p,d,i} > 0$ ,  $NK_{p,d,i} = NKZ_{p,d,i}$

b) If  $NKZ_{p,d,i} < 0$ ,  $NZ_{p,d,i} = NKZ_{p,d,i}$

(6)<sup>24</sup> The expressions used in the formulas in the fifth paragraph shall have the following meaning:

$NKZ_{p,d,i}$  refers to the net profit or loss of market participant “p” calculated as a result of netting on day “d” regarding the contract “i”;

$L_{p,u}$  refers to the number of lots of the long position held by the market participant “p” in the contract “i”;

$L_{p,k}$  refers to the number of lots of the short position held by the market participant “p” in the contract “i”;

$EF_{p,i,k}$  refers to the weighted average of the match prices (TL/MWh) of the netted positions in the contract “i” of the short position holder market participant “p”;

$EF_{p,i,u}$  refers to the weighted average of the match prices (TL/MWh) of the netted positions in the contract “i” of the long position holder market participant “p”;

$KB_i$  refers to the contract size of the contract “i”;

$TDS_i$  refers to the number of hours in the delivery period of the contract “i”;

$NK_{p,d,i}$  refers to the net profit calculated as a result of netting of the market participant “p” regarding the contract “i” on day “d”;

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<sup>23</sup> Amended pursuant to the Regulation published in the Official Gazette dated 06 May 2021 and numbered 31476.

<sup>24</sup> Amended pursuant to the Regulation published in the Official Gazette dated 06 May 2021 and numbered 31476.

NZp,d,i refers to the net loss calculated as a result of netting of the market participant “p” regarding the contract “i” on day “d”;

(7)<sup>25</sup> The net profit or loss amount regarding the positions subject to netting, for which the physical delivery period has commenced, shall be calculated on the basis of all settlement periods covered by the delivery period. If the total amount calculated is negative, the said amount shall be determined as the net loss of the relevant physical delivery period; and if it is positive, the said amount shall be determined as zero.

(8)<sup>26</sup> The total required electricity physical delivered futures market collateral of the relevant market participant shall be updated in view of the net loss amounts calculated regarding all contracts whose physical delivery period has not commenced yet and the net loss amount calculated regarding the positions subject to physical delivery collateral.

(9)<sup>27</sup> If loss occurs as a result of the netting transaction, the total required power futures market collateral of the relevant market participant shall be updated in view of the said loss amount.

(10)<sup>28</sup> The net profit or loss amounts calculated for contracts to which staggering procedure is applied shall also be transferred to the related contracts as a result of the staggering process, together with the open positions.

(11)<sup>29</sup> The net loss amount regarding an billing period shall be included in the total power futures market collateral account until the end of the invoice deadline of the relevant billing period.

### **Power futures market entrance collateral**

**ARTICLE 41** – (1) Power futures market entrance collateral refers to the collateral amount that the market participants shall submit in order to enter the market after signing the Power Futures Market Participation Agreement. The power futures market entrance collateral shall be collected from the market participants regardless of the transactions to be performed by them in the said market.

(2) The required power Futures market entrance collateral amount of the market participants shall be specified in the Method.

### **Contract collateral**

**ARTICLE 42** – (1) Contract collateral refers to the collateral amount that the market participant shall submit in order to hold a long or short position in the power futures market.

(2)<sup>30</sup> The orders and net position amounts of the market participant shall be taken into account when calculating the contract collateral for contracts that are in the same bidding zone, delivery period and load type.

(3)<sup>31</sup> Contract collateral shall be calculated on the basis of the current starting price of the relevant contract during the session, the daily benchmark price announced for the relevant contract after the session, and the up-to-date starting price if daily benchmark price is not available.

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<sup>25</sup> Amended pursuant to the Regulation published in the Official Gazette dated 06 May 2021 and numbered 31476.

<sup>26</sup> Amended pursuant to the Regulation published in the Official Gazette dated 06 May 2021 and numbered 31476.

<sup>27</sup> Amended pursuant to the Regulation published in the Official Gazette dated 06 May 2021 and numbered 31476.

<sup>28</sup> Amended pursuant to the Regulation published in the Official Gazette dated 06 May 2021 and numbered 31476.

<sup>29</sup> Amended pursuant to the Regulation published in the Official Gazette dated 06 May 2021 and numbered 31476.

<sup>30</sup> Amended pursuant to the Regulation published in the Official Gazette dated 06 May 2021 and numbered 31476.

<sup>31</sup> Amended pursuant to the Regulation published in the Official Gazette dated 06 May 2021 and numbered 31476.

(4) Contract collateral shall be calculated in accordance with the formulas below:

$$KT_{p,d,i} = AF_{d,i} \times [(1 + A_i)^2 - 1] \times KB_i \times L_{p,i} \quad (2a)$$

$$KB_i = TDS_i \times 0,1 \text{ MW} \quad (2b)$$

(5)<sup>32</sup> The expressions used in the formulas in the fourth paragraph shall have the following meaning:

$KT_{p,d,i}$	refers to the contract collateral of the market participant “p” regarding the contract “i” calculated on day “d”.
$AF_{d,i}$	refers to, for day “d”, the up-to-date starting price regarding the contract “i” during the session, the daily benchmark price announced after the session, the up-to-date starting price if daily benchmark price is not available;
$A_i$	refers to the daily price change rate of the contract “i” determined in accordance with Article 33,
$L_{p,i}$	refers to the number of lots of the net position held by the market participant “p” in the contract “i”,
$KB_i$	refers to the contract size of the contract “i”,
$TDS_i$	refers to the number of hours in the delivery period of the contract “i”

(6) In order to register the order, it shall be reviewed that the contract collateral updated as per the order volume and the total required collateral have been submitted, in view of whether the relevant order can be netted with the current net position of the same contract in the opposite direction.

(7)<sup>33</sup> In case the auction method is applied in order to determine the base price of a contract to be traded for the first time within the scope of Article 31, the highest order price submitted by the relevant market participant, regardless of whether it is buy side or sell side, shall be taken into account in the calculation of the required collateral amount, instead of the starting price/daily benchmark price specified in the fourth paragraph.

### **Update collateral according to the market**

**ARTICLE 43** – (1) Update collateral according to the market refers to the collateral amount calculated regarding changes in the daily benchmark prices of the contracts to which the positions held by the market participants relate.

(2) The update in market collateral amounts of the market participants holding a net short position in the relevant contract shall be calculated in accordance with the formula below:

$$PgGT_{p,d,k} = \sum_{i=1}^n (GGF_{d,i} - EF_{d,i}) \times KB_i \times L_{p,i} \quad (3a)$$

$$KB_i = TDS_i \times 0,1 \text{ MW} \quad (3b)$$

(3)<sup>34</sup> The expressions used in the formulas in the second paragraph shall have the following meaning:

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<sup>32</sup> Amended pursuant to the Regulation published in the Official Gazette dated 06 May 2021 and numbered 31476.

<sup>33</sup> Inserted pursuant to the Regulation published in the Official Gazette dated 06 May 2021 and numbered 31476.

<sup>34</sup> Amended pursuant to the Regulation published in the Official Gazette dated 06 May 2021 and numbered 31476.

PgGT <sub>p,d,k</sub>	refers to the update according to the market collateral amount calculated for the short positions held by the market participant “p” on day “d”;
GGF <sub>d,i</sub>	refers to the up-to-date daily benchmark price regarding the contract “i” on day “d”, the up-to-date starting price if daily benchmark price is not available;
EF <sub>d,i</sub>	refers to the weighted average of the match prices regarding the net positions held in the contract “i” on day “d”;
L <sub>p,i</sub>	refers to the number of lots of the net position held by the market participant “p” in the contract “i”;
KB <sub>i</sub>	refers to the contract size of the contract “i”;
TDS <sub>i</sub>	refers to the number of hours in the delivery period of the contract “i”;
n	refers to the number of contracts for which the collateral calculation is made.

(4) The update collateral amounts of the market participants holding a net long position in the relevant contract shall be calculated in accordance with the formula below;

$$PgGT_{p,d,u} = \sum_{i=1}^n (EF_{d,i} - GGF_{d,i}) \times KB_i \times L_{p,i} \quad (3c)$$

$$KB_i = TDS_i \times 0,1 \text{ MW} \quad (3\text{ç})$$

(5)<sup>35</sup> The expressions used in the formulas in the fourth paragraph shall have the following meaning:

PgGT <sub>p,d,u</sub>	refers to the update collateral according to the market amount calculated for the long positions held by the market participant “p” on day “d”;
EF <sub>d,i</sub>	refers to the weighted average of the match prices regarding the net positions held in the contract “i” on day “d”;
GGF <sub>d,i</sub>	refers to the up-to-date daily benchmark price regarding the contract “i” on day “d”, the up-to-date starting price if daily benchmark price is not available;
L <sub>p,i</sub>	refers to the number of lots of the net position held by the market participant “p” in the contract “i”;
KB <sub>i</sub>	refers to the contract size of the contract “i”;
TDS <sub>i</sub>	refers to the number of hours in the delivery period of the contract “i”;
n	refers to the number of contracts for which collateral calculation is made.

(6) At the end of the day, the Market Operator shall add the PgGTs of all long and short positions held by the market participant in the second and fourth paragraphs, and the total update according to the market collateral amount shall be calculated in accordance with the formula below:

$$TPgGT_{p,d} = PgGT_{p,d,k} + PgGT_{p,d,u} \quad (3d)$$

(7) The expressions used in the formulas in the sixth paragraph shall have the following meaning:

TPgGT <sub>p,d</sub>	refers to the total update according to the market collateral amount calculated for the short and long positions held by the market participant “p” on day “d”;
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<sup>35</sup> Amended pursuant to the Regulation published in the Official Gazette dated 06 May 2021 and numbered 31476.

PgGT<sub>p,d,u</sub> refers to the update according to the market collateral amount calculated for the long positions held by the market participant “p” on day “d”;

PgGT<sub>p,d,k</sub> refers to the update according to the market collateral amount calculated for the short positions held by the market participant “p” on day “d”.

(8)<sup>36</sup> In case any position included in the calculation of the total update according to the market collateral amount (TPgGT) is partially or fully closed by a reverse transaction during the session, the said closed amount shall not be taken into account in calculation of the total update collateral according to the market amount.

### **Physical delivery collateral**

**ARTICLE 44**<sup>37</sup> - (1) Physical delivery collateral shall be calculated for net positions held by market participants against risks that may occur during the delivery period for billing periods where the invoice deadline has not passed. The physical delivery collateral for a billing period starts to be calculated as of the day the relevant monthly contract is closed.

(2) As for the net long position held by the market participant for the delivery period, the physical delivery collateral shall be calculated in accordance with the formula below:

$$FTTU_{p,d,f} = \sum_{u=1}^h EF_{p,f,u,j} \times L_{p,t,j,u} \times 0.1MWH \quad (4a)$$

(3) The expressions used in the formulas in the second paragraph shall have the following meanings;

FTTU<sub>p,d,f</sub> refers to the physical delivery collateral calculated for the net long positions held by the market participant “p” in the physical delivery period “f” on day “d”;

EF<sub>p,f,u,j</sub> refers to the price of the match “j”, which constitutes the net long position held by the market participant “p” corresponding to the settlement period “u” of the physical delivery period “f”;

L<sub>p,f,u,j</sub> refers to the number of lots of the match “j”, which constitutes the net long position held by the market participant “p” corresponding to the settlement period “u” of the physical delivery period “f”;

h refers to the number of settlement periods in the physical delivery period “f”;

m refers to number of net long position corresponding to the settlement period “u” of the physical delivery period “f”.

(4) The physical delivery collateral of the market participant holding a long position regarding a delivery period shall be included in the total power futures market collateral account until the end of the invoice deadline of the relevant delivery period.

(5) As for the net short position held by the market participant regarding the delivery period, the physical delivery collateral shall be calculated in accordance with the formula below:

<sup>36</sup> Inserted pursuant to the Regulation published in the Official Gazette dated 06 May 2021 and numbered 31476.

<sup>37</sup> Amended pursuant to the Regulation published in the Official Gazette dated 06 May 2021 and numbered 31476.

$$\begin{aligned}
FTTK_{p,d,f} &= \max \left\{ \left( \sum_{s=1}^v \sum_{u=1}^h \sum_{j=1}^m ((TRF_{d,i} \times (1 + Y_d) - EF_{p,f,s,u,j}) \times L_{p,f,s,u,j}) \times 0,1 \text{ MWh} \right), 0 \right\} \\
&+ \left( \sum_{u=1}^{h_{s+2}} \sum_{j=1}^m TRF_{d,i} \times L_{p,f,s+2,u,j} \times 0,1 \text{ MWh} \right) \times g \quad (4b)
\end{aligned}$$

a) The last daily benchmark price of the relevant contract shall be taken as the collateral reference price starting from the last trading day of the relevant contract, until the day that the first market clearing price of the relevant delivery period is calculated.

b) The collateral reference price, from the day that the first market clearing price of the delivery period of the relevant contract is calculated, until the day before the last day of the relevant month:

$$TRF_{d,i} = \frac{(\sum_{s=0}^d PTF_{s+1}) + GGF_i \times (n_i - d - 1)}{n_i} \quad (4c)$$

c) The collateral reference price, for the last day of the relevant delivery period and for the following days:

$$TRF_{d,i} = \frac{\sum_{s=0}^{n_i-1} PTF_{s+1}}{n_i} \quad (4c)$$

(6) The expressions used in the formulas in the fifth paragraph shall have the following meanings;

$FTTK_{p,d,f}$	refers to the physical delivery collateral calculated for the net short positions held by the market participant "p" in the physical delivery period "f" on day "d";
$TRF_{d,i}$	refers to the reference price to be used in the hourly physical delivery collateral account for the short position arising from the contract "i" on day "d";
$Y_d$	refers to the physical delivery collateral coefficient to be used on day "d" and regulated in the Method;
$EF_{p,f,s,u,j}$	refers to the price of the net short position "j" held by the market participant "p" corresponding to the settlement period "u" on day "s" of the physical delivery period "f";
$L_{p,f,s,u,j}$	refers to the number of lots of the net short position "j" held by the market participant "p" corresponding to the settlement period "u" on day "s" of the physical delivery period "f";
$L_{p, f, s, u, j}$	refers to the number of lots of the net short position "j" held by the market participant "p" corresponding to the settlement period "u" on day "s" of the physical delivery period "f";
$PTF_{s+1}$	refers to the arithmetic average of the market clearing prices announced for the relevant hours of day "s + 1" within the billing period on day "s";
$GGF_i$	refers to the last daily benchmark price determined on the day that the physical delivery collateral calculation is made for the contract "i";
$n_i$	refers to the number of days in the delivery period of the contract "i";
$v$	refers to the number of days in the physical delivery period "f";



- m refers to the number of net short positions corresponding to the settlement period "u" on day "s" of the physical delivery period "f";
- h refers to the number of settlement periods on day "s" in the physical delivery period "f";
- $h_{s+2}$  refers to the number of settlement periods on day "s + 2" in the physical delivery period "f";
- g refers to the coefficient designated by the Market Operator.

(7) The collateral amount corresponding to the relevant delivery day at the end of the session of the fourth business day following the delivery date for each day subject to delivery of the market participant holding a short position, shall not be taken into account in the calculation of the physical delivery collateral amount. If it is held by the Market Operator that the current collateral does not cover the market risk, it may be decided to include the collateral amount corresponding to the relevant delivery day in the physical delivery collateral calculation on the days following the fourth business day.

(8) As for a market participant holding long and/or short positions, the physical delivery collateral shall be calculated in accordance with the formula below;

$$FTT_{p,d} = \sum_{f=1}^n (FTTU_{p,d,f} + FTTK_{p,d,f}) \quad (4d)$$

(9) The expressions used in the formulas in the eighth paragraph shall have the following meanings;

- $FTT_{p,d}$  refers to the physical delivery collateral (TL) of market participant "p" calculated on day "d";
- $FTTU_{p,d,f}$  refers to the physical delivery collateral calculated for the net long positions held by the market participant "p" in the physical delivery period "f" on day "d";
- $FTTK_{p,d,f}$  refers to the physical delivery collateral calculated for the net short positions held by the market participant "p" in the physical delivery period "f" on day "d";
- n refers to the number of physical delivery periods "f" included in the physical delivery collateral account.

(10) In order to register an order to a remainder of the month contract, it shall be reviewed that the updated physical delivery collateral and the total required collateral have been submitted, by taking into account the following:

- a) the net loss amount that may occur as a result of the netting of the relevant order with the current net position in the opposite direction;
- b) the higher amount, after comparing the physical delivery collateral calculated according to the new net position that may occur as a result of matching and the current physical delivery collateral;
- c) the new net position to occur as a result of matching and current orders.

### **Full spread position collateral discount**

**ARTICLE 45** – (1) If the delivery period covered by the long positions and the settlement periods determined by load type coincide exactly with the delivery period covered by the short

positions and the settlement periods determined by load type pertaining to the same bidding zone, then a full spread position shall emerge.

(2) The amounts of positions in opposing directions making up the full spread position shall be compared and the full spread position shall be created in the amount of the lowest of the relevant positions.

(3) As for the positions in the opposing directions that constitute a full spread position, position netting shall not be performed until the execution of the staggering process, if any, and said positions shall remain as open positions held by the market participant in the MMS, unless they are closed.

(4) As for positions that constitute a full spread position, an update shall be made according to the market by using the daily benchmark prices of the relevant contracts, and the calculated value shall be taken into account in the total power futures market collateral calculation of the market participant.

(5)<sup>38</sup> As for positions that constitute a full spread position, the collateral discount amount shall be calculated in accordance with the formula below;

$$TYPTi_{p,d} = \sum_{y=1}^k YM_{p,y} \times \left( \sum_{i=1}^n GGF_{d,y,i} \times KBy_{y,i} \times [(1 + Ad_{y,i})^2 - 1] \right) - \left( \sum_{l=1}^m GGF_{d,y,l} \times KBy_{y,l} \times [(1 + Ad_{y,l})^2 - 1] \right) \quad (5a)$$

$$KBy_{y,i} = TDSy_{y,i} \times 0,1 \text{ MW} \quad (5b)$$

$$KBy_{y,l} = TDSy_{y,l} \times 0,1 \text{ MW} \quad (5c)$$

(6)<sup>39</sup> The expressions used in the formulas in the fifth paragraph shall have the following meanings;

TYPTi <sub>p,d</sub>	refers to the collateral discount amount calculated for the full spread position held by the market participant "p" on day "d";
YM <sub>p,y</sub>	refers to the spread amount subject to the spread "y" of the market participant "p", within the scope of the first and second paragraphs;
GGF <sub>d,y,i</sub>	refers to the up-to-date daily benchmark price for the contract "i" subject to the spread "y" on day "d", and the up-to-date starting price if daily benchmark price is not available;
GGF <sub>d,y,l</sub>	refers to the up-to-date daily benchmark price for the contract "l" subject to the spread "y" on day "d", and the up-to-date starting price if daily benchmark price is not available;
Ad <sub>y,i</sub>	refers to the daily price change rate determined in accordance with Article 33 of the contract "i" subject to the spread "y" on day "d";
Ad <sub>y,l</sub>	refers to the daily price change rate determined in accordance with Article 33 of the contract "l" subject to the spread "y" on day "d";

<sup>38</sup> Amended pursuant to the Regulation published in the Official Gazette dated 06 May 2021 and numbered 31476.

<sup>39</sup> Amended pursuant to the Regulation published in the Official Gazette dated 06 May 2021 and numbered 31476.

KBy,i	refers to the contract size of short position "i" subject to the spread "y";
KBy,l	refers to the contract size of long position "l" subject to the spread "y";
TDSy,i	refers to the number of hours in the delivery period of the contract "i" subject to the spread "y";
TDSy,l	refers to the number of hours in the delivery period of the contract "l" subject to the spread of "y";
z	refers to the number of full spreads formed by the positions held by the market participant "p";
n	refers to the number of contracts in which the market participant "p" holds short positions;
m	refers to the number of contracts in which the market participant "p" holds long positions;
r	refers to the full spread position collateral discount coefficient designated by the Market Operator in the Method.

(7) If the market participant closes any of the positions that constitute the full spread position by a reverse transaction, the full spread position collateral discount shall not be applied. The required collateral amount of the market participants for the open positions to which full spread position collateral discount has been applied shall be re-calculated by the Market Operator.

#### **Intra-market spread position collateral discount**

**ARTICLE 46** – (1) A discount may be applied by the Market Operator to positions in opposing directions held by a market participant pertaining to different delivery periods, physical delivery period of which has not commenced, in view of the price relationship between the different delivery periods.

(2) Matters as to the calculation and application of the intra-market spread position collateral discount shall be regulated in the Method.

#### **Calculation of the power futures market total collateral**

**ARTICLE 47** – (1) The power futures market entrance collateral shall be collected from the market participants, independent of the transactions performed in the power futures market.

(2) The total required power futures market collateral amount of market participants for all long and short net positions they hold shall be calculated on a portfolio basis.

(3)<sup>40</sup> The total required power futures market collateral of the market participant on any given day shall be calculated as follows:

$$TVEPT_{p,d} = \frac{[GT_{p,d} + KT_{p,d} + FTT_{p,d} + |NZ_{p,d}| + TPgGT_{p,d} - (TYPTI_{p,d} + VAYTI_{p,d})]}{(6)} \times t_{p,d}$$

(4)<sup>41</sup> The expressions used in the formulas in the third paragraph shall have the following meanings;

<sup>40</sup> Amended pursuant to the Regulation published in the Official Gazette dated 06 May 2021 and numbered 31476.

<sup>41</sup> Amended pursuant to the Regulation published in the Official Gazette dated 06 May 2021 and numbered 31476.

TVEPT <sub>p,d</sub>	refers to the total required power futures market collateral (TL) of the market participant “p” on day “d”;
GT <sub>p,d</sub>	refers to the entrance collateral (TL) of the market participant “p” calculated on day “d”;
KT <sub>p,d</sub>	refers to the total contract collateral (TL) of the market participant “p” calculated on day “d”;
FTT <sub>p,d</sub>	refers to the physical delivery collateral (TL) of the market participant “p” calculated on day “d”;
NZ <sub>p,d</sub>	refers to the net loss (TL) calculated as a result of netting on day “d” for all contracts in which the market participant “p” holds a position;
TPgGT <sub>p,d</sub>	refers to the total update according to the market collateral amount (TL) of the market participant “p” calculated on day “d”;
TYPTI <sub>p,d</sub>	refers to the total full spread position collateral discount amount (TL) of the market participant “p” calculated on day “d”;
VAYTI <sub>p,d</sub>	refers to the intra-market spread collateral discount amount (TL) of the market participant “p” calculated on day “d”;
tp <sub>d</sub>	refers to the risk coefficient of the market participant “p” designated on day “d” in accordance with the provisions of the Method.

(5)<sup>42</sup> - The total required power futures market collateral of a market participant shall not be less than the entrance collateral amount.

(6)<sup>43</sup> - The following shall be included in the calculation of the total power futures market collateral:

- a) Matches, in the order of matching;
- b) Purchase bids, starting from the purchase bid with the highest price and sales offers, starting from the sales offer with the lowest price.

Process regarding collateral transactions

**ARTICLE 48** – (1) The Market Operator shall make the necessary calculations regarding the collateral amounts to be submitted on a market participant basis, following the completion of the end-of-day procedures each business day, and inform the market participants and the central settlement institution on a market participant basis. In case the total collateral amount submitted by a market participant regarding the power futures market activities does not cover the required power futures market total collateral amount, the central settlement institution shall make a margin call to the relevant market participant.

(2) A market participant to whom a margin call is made shall submit the total required collateral to the central settlement institution and/or the Market Operator, depending on the nature of the collateral, in order to be able to resume the relevant market activities.

(3) Each business day, the market participants shall submit the letters of guarantee to the Market Operator until 11:30 for the collateral review to be performed at 12:00, and submit the collaterals other than the letter of guarantee to the central settlement institution until 12:00.

<sup>42</sup> Inserted pursuant to the Regulation published in the Official Gazette dated 06 May 2021 and numbered 31476.

<sup>43</sup> Inserted pursuant to the Regulation published in the Official Gazette dated 06 May 2021 and numbered 31476.

(4) Each business day, the Market Operator shall inform the central settlement institution until 11:50 regarding the amount of letters of guarantee submitted to it until 11:30 on a market participant basis.

(5) Each business day, the central settlement institution shall inform the Market Operator, between 09:00 and 18:00 hours, of the up-to-date amount of collateral submitted by market participants on a market participant basis.

(6) In case the collateral amount submitted by a market participant within the scope of the power futures market activities falls below the required level, the central settlement institution shall make a margin call to the relevant market participant following the completion of the end-of-day procedures.

(7) It shall be determined that market participants who fail to fulfill their obligations arising from the power futures market transactions in accordance with Article 51 are in default and the default management provisions specified in Article 52 shall be applied.

(8)<sup>44</sup> The days that the central settlement institution does not provide clearing and collateral management services regarding the electricity market shall be deemed to be holidays.

#### **Assets eligible to be accepted as collateral**

**ARTICLE 49** – (1) Assets which are eligible to be accepted as collateral in the power futures market are as follows:

- a) Turkish Lira;
- b) Foreign currency (US dollar or Euro);
- c) Final and irrevocable letters of guarantee in Turkish Liras or foreign currency (US dollar or Euro), which have been issued by banks subject to banking regulations and operating in Turkey;
- ç) Final and irrevocable letters of guarantee in Turkish Liras or foreign currency (US dollar or Euro) issued by banks subject to banking regulations upon the counter guarantee of foreign banks permitted to operate in Turkey subject to banking regulations and banks or similar credit institutions operating outside Turkey;
- d) Bearer Government Debt Securities issued by the Ministry of Treasury and Finance of the Republic of Turkey;
- e)<sup>45</sup> Eurobonds issued by the Ministry of Treasury and Finance of the Republic of Turkey.

(2)<sup>46</sup> When calculating the TL equivalent of collaterals, the CBRT foreign exchange buying rate shall be used for foreign currency cash guarantees and foreign exchange letters of guarantee, indicative prices published in the Official Gazette by the CBRT shall be used for the Government Debt Securities issued by the Ministry of Treasury and Finance of the Republic of Turkey and prices determined by the central settlement institution shall be used for Eurobonds issued by the Ministry of Treasury and Finance of the Republic of Turkey.

(3) Market participants can provide their required collateral amount with one or more of the eligible assets specified in the first paragraph.

(4) In case the Market Operator is informed of injunction orders issued by judicial authorities regarding the assets provided by the market participant as collateral or other situations

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<sup>44</sup> Inserted pursuant to the Regulation published in the Official Gazette dated 06 May 2021 and numbered 31476.

<sup>45</sup> Amended pursuant to the Regulation published in the Official Gazette dated 06 May 2021 and numbered 31476.

<sup>46</sup> Amended pursuant to the Regulation published in the Official Gazette dated 06 May 2021 and numbered 31476.

that remove the definitive collateral status of the relevant assets, said assets shall not be taken into account in the total collateral calculation of the relevant market participant.

(5) Excluding TL in cash and letters of guarantee in TL, a valuation coefficient shall be applied to eligible assets. The valuation coefficient to be applied within the scope of these Procedures and Principles shall be determined by the Market Operator in line with the opinion of the central settlement institution with regard to the valuation coefficients applied in similar markets, and announced to the market participants via the MMS.

(6) All costs related to the collaterals shall be covered by the relevant market participant.

(7)<sup>47</sup> Market participants shall be obliged to provide the letters of guarantee to be submitted under sub-paragraphs (c) and (ç) of the first paragraph in accordance with the format determined by the Market Operator.

### **Return of the collaterals**

**ARTICLE 50** – (1)<sup>48</sup> In the event that the total collateral amount submitted by a market participant is greater than the total collateral amount that the market participant is required to provide, the excess collateral amount other than the letter of guarantee shall be returned to the market participant by the central settlement institution at the request of the market participant, provided that the collateral in question is suitable for partial refund.

(2) In the event that the total collateral amount submitted by a market participant is greater than the total collateral amount that the market participant is required to provide, the excess collateral amount submitted as a letter of guarantee shall be returned to the market participant at the request of the market participant and upon the approval of the Market Operator, provided that the collateral in question is suitable for partial refund.

(3) The market participant may make collateral withdrawals between 09:30 and 11:30 on business days.

(4) As a result of the closure of positions held by the market participant in default within the scope of default management, the unused portion, if any, of its power futures market total collateral shall be released at the request of said market participant, provided that it has no current margin calls, has paid the invoices issued for the delivery periods and has no advance and/or invoice debts regarding the markets operated by the Market Operator or where its financial settlement and other financial transactions are carried out.

(5)<sup>49</sup> The unused portion, if any, of the power futures market total collateral of the market participants, whose participation status in the power futures market is deactivated within the scope of Article 12, shall be released at the request of said market participant, provided that it has paid the invoice issued for the latest delivery period traded and has no advance and/or invoice debt regarding the markets operated by the Market Operator or where its financial settlement and other financial transactions are carried out.

## **CHAPTER NINE**

### **Default Management**

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<sup>47</sup> Inserted pursuant to the Regulation published in the Official Gazette dated 06 May 2021 and numbered 31476.

<sup>48</sup> Amended pursuant to the Regulation published in the Official Gazette dated 06 May 2021 and numbered 31476.

<sup>49</sup> Amended pursuant to the Regulation published in the Official Gazette dated 06 May 2021 and numbered 31476.

### **Event of default**

**ARTICLE 51** – (1) The market participants in the power futures market shall be deemed to have defaulted without further notice being necessary in the following cases:

a) Power futures market collateral default: Market participants who fail to fulfill their obligation regarding the total power futures market collateral amount in the review performed at 12:00 each business day shall be deemed to be in default. Said market participants shall not be allowed to resume their activities within the scope of the power futures market.

b)<sup>50</sup> Power futures market default collateral account contribution share default: If the current cash and total default collateral account contribution share amount in TL submitted by market participants does not cover the cash and total contribution share amount in TL that said market participant is required to provide; and this situation persists in reviews performed at 12:00 for three consecutive business days, the relevant market participant shall be deemed to be in default. Said market participants shall not be allowed to resume their activities within the scope of the power futures market.

c) Power futures market invoice default: Market participants who fail to fulfill their payment obligations regarding the power futures market invoice issued in accordance with Article 132/H of the Regulation within the periods specified in the seventh paragraph of Article 132/İ of the Regulation shall be deemed to be in default. Article 132/İ of the Regulation shall be applied to the market participants who are in default.

(2) In the markets operated by the Market Operator or in which financial settlement and other financial transactions are carried out, the provisions regarding default management in the power futures market shall be applied to market participants who fail to fulfill their obligations regarding the monthly settlement invoice issued within the scope of Article 132/A of the Regulation within the periods specified in the fifth paragraph of Article 132/E of the Regulation.

(3) Market participants who fail to fulfill their obligation regarding the additional collateral amount required to be submitted by them in accordance with the Collateral Procedures and Principles within the periods specified in said Procedures and Principles shall not be allowed to perform net position increasing transactions in the power futures market.

(4)<sup>51</sup> In case a market participant causes the Market Operator default management contribution amount and/or the default collateral account contribution share of other market participants to be cashed due to its default, and said market participant does not replenish said amounts until 12:00 on the third business day following use:

a) It shall not be allowed to resume its activities within the scope of the day-ahead market, intraday market and power futures market;

b) It shall not be allowed to enter into a settlement bilateral agreement notification as seller, the forward-looking bilateral agreement notifications for sale shall be canceled and the relevant parties shall be notified via the MMS.

c)<sup>52</sup> Sub-paragraphs (a), (b), (c), (d), (i), (j) and (k) of the fifth paragraph of Article 132/E of the Regulation shall be applied;

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<sup>50</sup> Amended pursuant to the Regulation published in the Official Gazette dated 06 May 2021 and numbered 31476.

<sup>51</sup> Amended pursuant to the Regulation published in the Official Gazette dated 06 May 2021 and numbered 31476.

<sup>52</sup> Amended pursuant to the Regulation published in the Official Gazette dated 06 May 2021 and numbered 31476.

ç) Eligible consumer requests made by a market participant for all billing periods following the first billing period in which eligible consumer records are deleted and for which the eligible consumer lists have not been finalized shall be canceled. The market participant shall not be allowed to make an eligible consumer request for so long as it fails to fulfill any of its financial obligations towards the Market Operator.

(5) In case the Market Operator has recourse to the default collateral account contribution shares of other market participants when closing the positions of the market participant who is in default within the scope of default management, said amounts shall be included in the settlement notifications of the relevant market participants who have not defaulted. If the market participant in default fails to pay on time the required amount within the scope of the fourth paragraph, a late payment fee shall be calculated for the relevant amounts. In case said amount is collected, the collected amounts shall first be reimbursed to the market participants, to the extent that collection was made from the default collateral account contribution shares of market participants, and the remaining amount, if any, shall be reimbursed to the Market Operator default management contribution amount.

(6) In case the amount in the current account of the market participant is sufficient to cover the total required power futures market collateral amount and/or the shortfall amount in the power futures market default collateral account contribution share, the relevant amount shall be automatically covered from the amount in the current account of the market participant, and the market participant shall not be deemed to be in default of the power futures market collateral and/or power futures market default collateral account contribution share.

(7) In case a market participant, to whom a call for power futures market total collateral is made, fails to provide sufficient amount of collateral and/or a market participant, who is in the state of default, replenishes said collateral without paying its debt in default, said participant cannot resume its activities within the power futures market.

### **Default management**

**ARTICLE 52** – (1) The long and/or short positions held by defaulting market participants, whose delivery period has not commenced, shall be closed, in the following order, within the framework of the rules specified in the Method:

a) <sup>53</sup>

b) <sup>54</sup>

a) In case there are opposing positions held by defaulting market participants in contracts that are in the same bidding zone, delivery period, and load type, said positions shall be closed by using the current daily benchmark prices of the relevant contracts;

b) By the Market Operator, on behalf of the relevant market participant, by using the methods of voluntary auction, mandatory auction, order book transactions or distribution of positions.

(2) The long and/or short positions held by defaulting market participants, the delivery period of which have commenced or will commence on the next day, shall be closed by the Market Operator as follows;

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<sup>53</sup> Repealed pursuant to the Regulation published in the Official Gazette dated 06 May 2021 and numbered 31476.

<sup>54</sup> Repealed pursuant to the Regulation published in the Official Gazette dated 06 May 2021 and numbered 31476.



a) As for the open positions held by different participants who have defaulted, the delivery obligations shall be determined on the day of default in order to be managed within the day-ahead market for the day following the day of the default and the remainder of the month contract to be opened to trade on the day of the default;

b)<sup>55</sup> Net delivery obligations arising from the relevant positions on a settlement period basis for the day following the day of default shall be submitted to the day-ahead market as an order in the opposite direction independent of price in accordance with the rules specified in the Method;

c) The following transactions shall be carried out in the following order within the framework of the rules specified in the Method for delivery obligations within the remainder of the month contract, in order for the positions to be closed by the Market Operator on behalf of the relevant market participants:

1) In case there are positions held by the defaulting market participants in the same bidding zone and load type, which are in the same or opposite direction, said positions shall be closed by using the current collateral reference prices calculated for the relevant contracts,

2) The remaining short positions shall be closed by using the methods of voluntary auction, compulsory auction, order book transactions or distribution of positions,

3) The remaining long positions shall be closed by using the methods of voluntary auction, compulsory auction, order book transactions or submission of an order in the opposite direction independent of price to the day-ahead market until the end of the delivery period.

(3) In case the long and/or short positions held by defaulting market participants whose delivery period has commenced, and the net delivery obligations arising from said positions on a settlement period basis cannot be fully closed with the orders submitted within the day-ahead market, or else, it is not possible to submit orders to the day-ahead market for any reason whatsoever, then the Market Operator shall submit orders in the opposite direction within the intraday market for the remaining portion, in view of the final market clearing prices of the relevant hours.

(4) The portion of the long and/or short positions held by defaulting market participants, whose delivery period have commenced, which cannot be closed by the Market Operator on behalf of the market participant within the day-ahead market and/or the intraday market, shall be included in the energy imbalance amount calculation.

(5) In case position distribution is made by the Market Operator, the obligations arising from the relevant positions shall be fulfilled by the market participants to whom position distribution is made.

(6)<sup>56</sup> In case net advance receivable arises as a result of the Market Operator's closing of long positions held by defaulting market participants, whose delivery period have commenced, within the day-ahead market and/or the intraday market on behalf of the market participant, said amount shall be blocked by being transferred to said market participant's power futures market cash collateral account before the central settlement institution, in order to be cleared and set off against the debts thereof, and shall not be paid. Said amount shall not be considered within the total power futures market collateral amount submitted by the participant during the collateral review. The central settlement institution shall procure accrual of interest for the amounts blocked in the

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<sup>55</sup> Amended pursuant to the Regulation published in the Official Gazette dated 06 May 2021 and numbered 31476.

<sup>56</sup> Amended pursuant to the Regulation published in the Official Gazette dated 06 May 2021 and numbered 31476.

cash collateral account. The relevant block shall be removed following the collection of the net invoice debt of the market participant for the relevant period in accordance with Article 132/1 of the Regulation.

(7) If necessary, recourse shall be made to the following accounts, in the following order, when closing the long and/or short positions held by market participants, whose delivery period has not commenced yet and/or whose delivery period has already commenced, who are in default with respect to the power futures market collateral and/or the power futures market default collateral account contribution share:

- a) The amount in the current account,
- b)<sup>57</sup> The cash amount in TL that is above the total required collateral amount or default collateral account contribution share amount within the scope of these Procedures and Principles,
- c) The total power futures market collateral,
- ç) The default collateral account contribution share of the market participant in default,
- d) Market Operator default management contribution,
- e) Default collateral account contribution shares of other market participants,
- f) Contribution shares that are re-collected following the margin call for default collateral account.

(8) The state of default shall cease, in case of fulfillment of all financial obligations related to markets operated by the Market Operator or where financial settlement and other financial transactions are carried out, excluding the ancillary services market; provided that all transactions for the purpose of closing all current open positions held by defaulting market participants within the scope of default management are executed by the Market Operator.

### **Calculation of default management cost**

**ARTICLE 53** – (1) In case the net long and/or short positions held by defaulting market participants are closed within the scope of collateral management for each contract whose delivery period has not commenced yet, the default management cost shall be calculated in accordance with the formulas below;

$$VEPTSM_{p,k} = \sum_{i=1}^n \sum_{t=1}^m KB_i \times L_{p,i,k,t} \quad (7a)$$

$$VEPTAM_{p,u} = \sum_{i=1}^v \sum_{t=1}^y KB_i \times L_{p,i,u,t} \quad (7b)$$

$$TÖTM_p = (VEPTSM_{p,k} + VEPTAM_{p,u}) \times a \quad (7c)$$

$$KB_i = TDS_i \times 0,1 \text{ MW} \quad (7ç)$$

(2) The expressions used in the formulas in the first paragraph shall have the following meaning:

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<sup>57</sup> Amended pursuant to the Regulation published in the Official Gazette dated 06 May 2021 and numbered 31476.

VEPTSM <sub>p,k</sub>	refers to the sales volume calculated for the contracts in which market participant “p” holds a short position, which are closed within the scope of default management;
KB <sub>i</sub>	refers to the contract size of the contract “i”;
L <sub>p,i,k,t</sub>	refers to the number of lots of the short position “t” held by market participant “p” in the contract “i”, which is closed within the scope of default management”;
VEPTAM <sub>p,u</sub>	refers to the purchase volume calculated for the contracts in which market participant “p” holds a long position, which are closed within the scope of default management;
L <sub>p,i,u,t</sub>	refers to the number of lots of the long position “t” held by market participant “p” in the contract “i”, which is closed within the scope of default management;
TÖTM <sub>p</sub>	refers to the default costs for the long and/or short positions held by market participant “p”, whose delivery period has not commenced yet;
a	refers to the default cost unit price, which is determined as three times the unit price of the power futures market operating fee;
n	refers to the number of contracts in which market participant “p” holds a short position, which are closed within the scope of default management;
m	refers to the number of positions held regarding contracts closed within the scope of default management, in which market participant “p” holds a short position;
v	refers to the number of contracts in which market participant “p” holds a long position, which are closed within the scope of default management;
y	refers to the number of positions held regarding contracts closed within the scope of default management, in which market participant “p” holds a long position.

(3) In case the long and/or short positions held by defaulting market participants, whose delivery period has commenced, are closed within the scope of default management, the default management cost shall be calculated in accordance with the formulas below;

$$VEPSM_{p,k} = \sum_{i=1}^n \sum_{t=1}^m KB_i \times L_{p,i,k,t} \times \frac{(d-s)}{d} \quad (7d)$$

$$VEPAM_{p,u} = \sum_{i=1}^v \sum_{t=1}^y KB_i \times L_{p,i,u,t} \times \frac{(d-s)}{d} \quad (7e)$$

$$TSTM_p = (VEPSM_{p,k} + VEPAM_{p,u}) \times b \quad (7f)$$

(4) The expressions used in the formulas in the third paragraph shall have the following meaning:

VEPSM <sub>p,k</sub>	refers to the sales volume calculated for the contracts in which market participant “p” holds a short position, which are closed within the scope of default management;
KB <sub>i</sub>	refers to the contract size of the contract “i”;
L <sub>p,i,k,t</sub>	refers to the number of lots of the short position “t” held by market participant “p” in the contract “i”, which is closed within the scope of default management”;

d	refers to the number of days of the contract pertaining to the position, which is closed within the scope of default management;
s	refers to the row number of the day on which the market participant who holds the position which is closed within the scope of default management, has gone into default;
$VEPAM_{p,u}$	refers to the purchase volume calculated for the contracts in which market participant "p" holds a long position, which are closed within the scope of default management;
$L_{p,i,u,t}$	refers to the number of lots of the long position "t" held by market participant "p" in the contract "i", which is closed within the scope of default management;
$TSTM_p$	refers to the default costs for the long and/or short positions held by market participant "p", whose delivery period has commenced;
b	refers to the default cost unit price, which is determined as three times the unit price of the power futures market operating fee;
n	refers to the number of contracts in which market participant "p" holds a short position, which are closed within the scope of default management;
m	refers to the number of positions held regarding contracts closed within the scope of default management, in which market participant "p" holds a short position;
v	refers to the number of contracts in which market participant "p" holds a long position, which are closed within the scope of default management;
y	refers to the number of positions held regarding contracts closed within the scope of default management, in which market participant "p" holds a long position.

(5) In case the long and/or short positions held by defaulting market participants are closed within the scope of default management, the default management cost shall be calculated in accordance with the formulas below;

$$TTM_p = T\ddot{O}TM_p + TSTM_p \quad (7g)$$

(6) The expressions used in the formulas in the fifth paragraph shall have the following meaning:

$TTM_p$	refers to the total default cost of the long and/or short positions held by market participant "p", whose delivery period has not commenced yet and whose delivery period has commenced;
$T\ddot{O}TM_p$	refers to the default costs for the long and/or short positions held by market participant "p, whose delivery period has not commenced yet;
$TSTM_p$	refers to the default costs for the long and/or short positions held by market participant "p", whose delivery period has commenced.

(7) Amounts incurred within the scope of default management cost shall be added to the power futures market operating fee of the relevant market participant.

## **CHAPTER TEN**

### **Default Collateral Account**

#### **Default collateral account**

**ARTICLE 54** – (1) A default collateral account shall be created with the contribution shares of market participants to be used for losses that exceed the collateral of relevant market participants in case market participants in the power futures market go into default.

(2) Market participants shall contribute to the default collateral account.

(3) Default collateral account contribution shares of market participants shall comprise the additional default collateral account contribution shares that are deposited and that are to be deposited upon request.

(4) The additional default collateral account contribution share amount may be requested multiple times, provided that it does not exceed the total deposited amount, which may be deposited at once or in parts.

(5) In case any market participant goes into default, no recourse shall be made to the default collateral account contribution shares of the other market participants, without regard to the order specified in Article 52 and/or Article 132/İ of the Regulation.

(6) In case the power futures market participation status is deactivated, the default collateral account share shall be returned in accordance with Article 58.

(7) Assets in the default collateral account may not be used for purposes other than their intended use.

(8) The default collateral account shall be represented and managed by the Market Operator.

#### **Default collateral account size and contribution share amounts**

**ARTICLE 55** – (1) Matters as to size of the default collateral account and calculation of contribution share amounts shall be specified in the Method.

(2) Default collateral account contribution share obligations shall be calculated and updated as of the last business day of each month at the latest. Multiple updates can be made within a month, in view of the risk status of the relevant market participants and market conditions.

(3)<sup>58</sup> The sufficiency of the default collateral account contribution share amounts to be submitted on a market participant basis shall be reviewed by the Market Operator at 12:00 each business day.

(4)<sup>59</sup> In case the default collateral account contribution share amount submitted by a market participant regarding its power futures market activities does not cover the total required power futures market default collateral account contribution share amount, the central settlement institution shall make a margin call to the relevant market participant.

#### **Assets eligible to be accepted as default collateral account contribution share**

**ARTICLE 56** – (1) Market participants may fulfill their default collateral account contribution share obligations with Turkish Lira, foreign currency (US dollar and Euro) and bearer Government Debt Securities issued by the Ministry of Treasury and Finance of the Republic of Turkey.

(2) Change of the assets of market participants that are accepted as default collateral account contribution share, as well as designation and announcement of the valuation coefficient shall be carried out in accordance with Article 49.

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<sup>58</sup> Inserted pursuant to the Regulation published in the Official Gazette dated 06 May 2021 and numbered 31476.

<sup>59</sup> Inserted pursuant to the Regulation published in the Official Gazette dated 06 May 2021 and numbered 31476.

- (3) At least 50% of the total required contribution share shall be in TL, in cash.
- (4) Margin call shall be made to accounts with contribution share shortfall as a result of end-of-day valuation.

### **Principles of use of default collateral account**

**ARTICLE 57** – (1) In cases where it is necessary to have recourse to default collateral account, market participants shall not be allowed to withdraw their own contribution shares from the default collateral account until the loss resulting from default is recovered.

(2) When having recourse to contribution shares, the ease of liquidation into cash shall be taken as basis, starting from the most liquid asset. Among non-cash contribution shares in the default collateral account, amounts that are converted into cash but not used shall be returned proportionately to market participants whose non-cash contribution shares are used.

(3)<sup>60</sup> In reflecting the amounts to be used from the default collateral account to other market participants, the shares required to be kept by market participants in the default collateral account shall be taken as basis.

(4) If it is deemed likely that the loss to be attributed to the default collateral account is to exceed 50% of the fund size, the Market Operator may request from market participants to deposit additional contribution shares.

(5) Requests for additional contribution share may also be made in parts. In closing the relevant default, the fully or partially unused additional contribution shares shall be returned.

(6) In case the additional default collateral account contribution shares requested from market participants due to default are partially or fully used, market participants shall be requested to replenish their default collateral account obligations to the calculated level.

(7)<sup>61</sup> In case the default collateral account contribution shares requested from market participants due to default cannot be covered by relevant market participants, said shortfall amounts shall be reimbursed to the other market participants pro rata to their contribution shares.

(8) The central settlement institution shall procure accrual of interest for the cash contribution shares in TL in the default collateral account.

### **Return of default collateral account contribution shares**

**ARTICLE 58**<sup>62</sup> – (1) Excluding cases specified in the first paragraph of Article 57, the withdrawal procedures relating to the excess default collateral account contribution share amount submitted by a market participant, which is above the amount said market participant is required to provide, may be carried out between 09:30 and 11:30 hours on business days.

(2) As a result of transfer of a market participant to another market participant with all its assets and liabilities, return procedures for the default collateral account contribution share shall be carried out upon the first default collateral account contribution share calculation following the completion date of the transfer transactions. The default collateral account contribution share calculation shall be made over the total position sizes of the two merged market participants corresponding to the calculation period.

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<sup>60</sup> Amended pursuant to the Regulation published in the Official Gazette dated 06 May 2021 and numbered 31476.

<sup>61</sup> Inserted pursuant to the Regulation published in the Official Gazette dated 06 May 2021 and numbered 31476.

<sup>62</sup> Amended pursuant to the Regulation published in the Official Gazette dated 06 May 2021 and numbered 31476.

(3) The fixed default collateral account contribution share of the market participant who is deactivated shall be returned by the Market Operator, in view of the delivery period of all open positions in the market.

(4) In case there is cash in the default collateral account contribution share of a market participant who is deactivated, the return procedures for the cash amount shall be carried out by deducting tax and other statutory liabilities required to be paid out of the amount for which accrual of interest is procured.

#### **Market Operator's default management contribution**

**ARTICLE 59<sup>63</sup>** – (1) The default management contribution commitment amount of the Market Operator shall be designated by EPİAŞ.

(2) In case recourse has been made to the default management contribution amount of the Market Operator within the framework of default management provisions, no further commitments shall be made by the Market Operator for said used amounts within the same year. The principles and procedures for using the default management contribution of the Market Operator shall be regulated in the Method.

### **CHAPTER ELEVEN**

#### **Miscellaneous and Final Provisions**

#### **Market making**

**ARTICLE 60** – (1) The designation of market participants as market makers, application process for market making, principles of market making and use of the market making system, rights and obligations of market makers and contracts to which market making will be applied in the power futures market, shall be regulated by the Method.

(2) Multiple market makers may be designated in the power futures market.

(3) The activities of the market maker shall be assessed within the framework of the principles specified in the Method.

#### **Temporary or permanent resignation from market making, revocation of powers**

**ARTICLE 61** – (1) Market makers wishing to permanently or temporarily resign from their respective duties shall notify the Market Operator thereof in writing. The principles and conditions for resignation shall be specified in the Method.

(2) Permanently or temporarily resigning from market making shall not affect the ability to trade as a market participant.

(3) The principles regarding temporary or permanent revocation of the powers of market makers who fail to fulfill the obligations stipulated in these Procedure and Principles and the Method, shall be specified in the Method.

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<sup>63</sup> Amended pursuant to the Regulation published in the Official Gazette dated 06 May 2021 and numbered 31476.

(4) If deemed necessary for the proper and orderly functioning of the market, market making transactions may be terminated ex officio by the Market Operator on the basis of market makers or contracts, provided that the grounds thereof are explained.

### **Price Determination and Default Management Commission**

**ARTICLE 62** – (1) A Price Determination and Default Management Commission shall be established by the Market Operator as the decision-making body with respect to the following matters:

- a) The procedures for determining the daily benchmark price and base price;
- b) The procedures for closing part or all of the positions within the scope of default management and specification of the default management procedures;
- c) Other matters to be resolved by Commission decision as per these Procedures and Principles.

(2) The designation of the members of the Price Determination and Default Management Commission and their working principles shall be regulated in the Method.

**ARTICLE 63** – (1) Power Futures Market Method shall be prepared by the Market Operator and published on the website. The Market Operator shall complete the improvements and changes as required in the Method from time to time within the time allotted to it by the Authority.

### **Enforcement**

**ARTICLE 64**<sup>64</sup> – (1) These Procedures and Principles shall enter into force on 01/06/2021.  
Execution

**ARTICLE 65** – (1) The provisions of these Procedures and Principles shall be executed by the President of the Energy Market Regulatory Authority.

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<sup>64</sup> Amended pursuant to the Regulation published in the Official Gazette dated 20 November 2020 and numbered 31310.