



INSTRUCTION 01/2019

SLR Purchase Auctions

20.September.2019

Versions Index

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Initial Version

This document is available at www.omip.pt

Whereas:

- a) The terms and conditions of the mechanism for the forward purchase of electricity by a Supplier of Last Resort (Comercializador de Último Recurso – CUR), hereinafter Auction Terms, published in an Annex to Directive 8/2019 of the Energy Services Regulation Authority (Entidade Reguladora dos Serviços Energéticos - ERSE) on 19 June 2019, which sets out the terms and conditions for participating in a regulated energy futures contract to be provided to the Supplier of Last Resort (CUR), in accordance with Article 169(4) of the Commercial Relations Code (RRC).
- b) The regulated mechanism for the forward contracting of electricity by the SLR is implemented within the scope of the buying and selling of electricity to supply the clients, pursuant to Article 79(2)(a) of the Regulation on Commercial Relations (Regulamento de Relações Comerciais – RRC), as the purchase of futures contracts traded in auctions, under the rules, frequency and conditions set forth in the Auction Terms.
- c) The Auction Terms designate OMIP as the entity responsible for organising the auction and determining its results, with the settlement of rights and obligations therefrom made under the conditions in effect for the OMIP Derivatives Market, whose clearing house as central counterpart and settlement system are managed by OMIClear.
- d) The organisation of auctions, in addition to the Auction Terms, follows the trading and settlement rules in effect for the OMIP Derivatives Market.
- e) The Trading Rulebook, in its Article 39(4), provides for Special Trading Sessions.

Pursuant to Article 29(4) of the Trading Rulebook, OMIP approves this Instruction that embodies the provisions on this type of Special Trading Session for conducting SLR Purchase Auctions, in which the descending clock auction model or the single round auction model may be used.

Purpose

1. This Instruction establishes the conditions applicable to the Special Trading Sessions for conducting SLR Purchase Auctions, hereafter SLR Auctions, in particular the rules and the operating conditions for carrying out the descending clock and single round auction.

General Principles

2. Except as stated otherwise in this Instruction, the provisions of the Market Rules and of the General Contractual Terms of the Contracts submitted to auction apply to the SLR Auctions.
3. The SLR Auctions may comprise MIBEL PTEL Futures Contracts with the following characteristics:
 - a) Load profile: base and peak;
 - b) Type of settlement: physical or financial;
 - c) Maturity: monthly, quarterly and yearly.
4. Several contracts with the characteristics referred to in the preceding paragraph may be auctioned simultaneously.
5. The buying and selling positions resulting from operations carried out in the SLR Auctions are fungible with the positions registered with OMIClear, for the same type of contract.

6. SLR Auctions are held periodically, on a monthly or quarterly basis, at a date and with a starting time set by ERSE, in accordance with the Auction Terms.
7. SLR Auctions may take place simultaneously with any of the Trading Session phases, and may run after it closes.
8. ERSE informs the market of the SLR Auctions, in accordance with the Auction Terms, specifying the following aspects:
 - a) Date and time of the Auction;
 - b) Auction model, descending clock or single round;
 - c) Type, maturity, nominal, and delivery period of the auctioned contracts;
 - d) Volumes auctioned;
 - e) Reserve price;
 - f) Any limits for participating in the Auction and other applicable restrictions.
9. The operations carried out in the SLR Auctions are subject to trading and clearing fees, defined in the OMIC and OMIClear Price Rules, for auction trading, clearing and, if applicable, physical delivery.
10. A series of terms will hereinafter be used, starting with a capital letter, the definitions of which can be found in Annex 1 or in the Trading Rulebook.

Conditions for Participation

11. Without prejudice to the specific legislation or regulation applicable, namely the one referred to in paragraph 14, all trading members (TM) may participate in SLR Auctions under the conditions permitted by such regulations.
12. EDP Serviço Universal, S.A., as a SLR, is allowed to participate, as well as suppliers under the market regime, as specified in the Auction Terms and in the Auction Call; however, the latter may not place ask and sell bids in the same auction and for the same auctioned product.
13. The SLR and TMs may opt for physical or financial futures contracts, in accordance with the specified financial trading account.
14. OMIP may apply additional conditions to the participation of the TMs in the SLR Auctions, in particular to the SLR, to be defined by ERSE, under the Auction Terms or in the call for each SLR Auction.

Operational Procedures

15. SLR Auctions are held in a dedicated platform (Auction Platform), accessible via the Internet using a username and a password.
16. The TMs interested in participating for the first time in the SLR Auctions must show their intention by sending to OMIP a written communication (e-mail) by 06.30 p.m. of the second trading day prior the SLR Auction date announced by ERSE.
17. In this communication, the TMs must indicate the Trading Account in which the trades that they will carry out will be registered.
18. OMIP will provide to the TMs interested in participating in the SLR Auctions the software for the installation of the Auction Platform, as well as a username and a password.
19. The trading resulting from the SLR Auction is registered as Market Operations by OMIP in the Trading Platform of the Derivatives Market, and the SLR assumes a sell position and the TMs assume a position of buyers or sellers, depending on the result achieved, at the Auction Price.

20. The registration referred to in the preceding paragraph is made on the Trading Day on which the SLR Auction ends. If the Auction closing occurs after the end of the Continuous Trading phase of the Trading Session, the registration with OMIClear will be processed on the next Clearing Day.
21. If the course of the SLR Auction so requires, OMIP may determine that the Auction be interrupted and resumed on the next Trading Day, informing the TMs thereof in the Auction Platform, and the Market in the Trading Platform.
22. OMIP may define, through Notice no later than two Trading Days prior to the SLR Auction, the duration of each Round, and also the extension of a given Round during the course of the SLR Auction.

Descending Clock Auction Model

23. The SLR Auction is based on an anonymous, competitive, non-discriminatory and transparent procedure of the descending clock type, made up of a set of successive Rounds, with its term, and consequently the number of rounds, determined by the Orders entered by the TMs.
24. Several contracts may be auctioned simultaneously but independently, namely with regard to the evolution of the respective Opening and Closing Round Prices as well as the fixing of the last Round.
25. The following will be presented to the TMs in each Round for each contract:
 - a) The Round Opening Price;
 - b) The Round Closing Price, lower than the preceding one.
26. Buy Orders at Reserve Price are entered by OMIP and the remaining Orders are entered by the selling TMs in the Auction Platform during the Bid Submission Phase, their format being defined in this section. Each Order has its registration time. If the volume corresponding to the Round Closing is less than that of the Round Opening Price, three levels of intermediate prices, defined by the TM, are made available, to specify the price levels at which the TM intends to reduce the volume of his Order.
27. Each Round is made up of the following sequence of Phases:
 - a) Preliminary information – First phase of the Round, during which the Auction Platform displays all relevant information about the Auction, as well as the screen area designated for the entry of Orders (not editable by the user at this stage);
 - b) Bid Submission – Phase during which the TMs can place Orders in the Auction Platform, which are validated by the Auction Platform;
 - c) Post-validation – Phase during which the order validation process is approved by OMIP, during which time the TMs can submit complaints concerning Orders rejected;
 - d) Processing – Phase during which the processing of orders and the calculation of results take place;
 - e) Provisional information – Phase during which the provisional results of the ongoing Round are made available in the Auction Platform;
 - f) Final information – The Last Phase of the Round, during which the final results of the Round are made available in the Auction Platform.
28. The format of prices associated to Orders is defined in the General Contractual Terms of Contracts taken to Auction.
29. The total volume bid by each selling TM, in each contract, is limited to the Auctioned Volume.
30. The Orders are placed by the TMs in the Auction Platform during the Bid Submission Phase, their format being specified in paragraph 37.

31. The Round Closing Volume of each TM is defined as the amount specified in the Order at the Round Closing Price.
32. The Auction ends at the Round in which the sum of the Round Closing Volumes presented by the TMs is equal to or less than the Auctioned Volume at the Round Closing Price.

Prices

33. The format of the prices associated to Orders is defined in the General Contractual Terms of Contracts taken to Auction.
34. The opening and closing of Rounds are defined as follows:
 - a) The Round Opening Price is equal to the Closing Price of the previous Round;
 - b) The Round Closing Price is lower than the Round Opening Price and entered in the Auction Platform by OMIP, upon indication from ERSE;
 - c) The Round Opening Price of the first Round corresponds to the reserve price set by ERSE as established under the Auction Terms and may be different for each auctioned contract.
35. Given the characteristics of the SLR Auction, the maximum price variation limits do not apply.

Format and Content of the Orders

36. Ask Orders are entered by the TMs in the Auction Platform, and each Order has its registration time.
37. An Order includes the following price / volume pairs:
 - a) The bidding volume at the Round Opening Price;
 - b) The bidding volume at the Round Closing Price;
 - c) Up to four pairs of Exit Volume / Exit Price, the Round Opening Price being considered an Exit price.
38. The Cumulative Volume at a price P in a Round is defined as the sum of the volumes bid by the TMs at a price lower than or equal to P.
39. The Cumulative Volume at the Round Opening Price is equal to the Round Closing Volume of the previous Round.
40. The volumes included in the Orders correspond to the number of contracts that the TMs wish to sell, and can only assume positive integer values.
41. The format of prices included in the Orders is specified in the respective General Contractual Terms, each representing the maximum value for which the TM accepts to sell the volume indicated in the respective price/volume pair.
42. The Round Closing Volume of a Round must be equal to or less than the Round Closing Volume of the previous Round.
43. If the Round Closing Volume of a Round is less than the Round Closing Volume of the previous Round, the TMs must specify the price and volume limits associated to such reduction:
 - a) Up to four pairs of Exit Volume / Exit Price may be specified;
 - b) The Exit Price represent the minimum price for which each TM is willing to sell the Exit Volume associated to it;
 - c) The Exit Prices are lower than or equal to the Round Opening Price and higher than the Round Closing Price.
44. If a TM does not bid a valid Order in a Round, the following is considered:

- a) That this TM presented an Order with an Exit Volume equal to the Round Closing Volume of the previous Round at the Round Closing Price of the Round in question;
 - b) If this occurs in the first Round, it is considered that the TM did not present any Order in the Auction.
45. For the purposes of paragraph (a) of the preceding number, in each new Round after the first Round the Auction Platform presents to the TMs the pre-filling out of an Order by default with the conditions defined in said paragraph.
46. The Round Opening Price volume of the first Round is entered by OMIP in the Auction Platform. For that purpose, the TMs must send that information to OMIP, by e-mail, no later than one hour before the Auction begins.

Order Validation

47. The Orders are submitted for validation in the Auction Platform in order to assess their compliance with the following:
- a) The maximum volume admissible for each TM, which is equal to or less than the Maximum Auctioned Volume, or any other volume as set by ERSE;
 - b) The provisions about volumes and prices admissible in the Auction;
 - c) The period admissible in each Round for the registration of Orders in the Auction Platform, corresponding to the Bid Submission Phase.
48. The Orders that do not comply with the requirements of the preceding paragraph are rejected by the Auction Platform.
49. In relation to the rejected Orders:
- a) OMIP informs the respective TMs, via the Auction Platform, of the reasons for their rejection;
 - b) The TMs may complain about the rejection of an Order until the end of the Round Post-validation period;
 - c) If a TM demonstrates that an Order was wrongly rejected at the Bid Submission Phase and wishes it to be considered, they can request OMIP to allow the registration, and OMIP will then enter it in the Auction Platform.
50. When at a specific Round a TM submits more than one valid Order, it is considered that the last valid Order replaces and renders all of the previous ones invalid, in which case the last valid Order is the one used in the process of determining the results of the Round in question.

Bid Processing Phase

51. The results of each Round are calculated in the Bid Processing Phase, including:
- a) The Aggregate Round Closing Volume defined as the sum of the Round Closing Volumes of all the TMs;
 - b) The Sell Order Excess at Round Closing Price, defined as the difference between the Aggregate Round Closing Volume and the Auctioned Volume at that price.
52. If the Sell Order Excess at Round Closing Price is positive, a new Round shall be held.
53. If the Sell Order Excess at Round Closing price is null or negative, the current Round is the Last Round of the Auction, following which the Action results will be calculated as defined in the following paragraph.

Auction Price

54. If in a Round the Sell Order Excess at Round Closing Price is null or negative, the result of the Auction is calculated according to the following rule:
 - a) The set of values defined by the different Exit Prices presented by the TMs, the prices discriminated for the Auctioned Volume and the Round Closing Price are organised in ascending order, calculating, for each one of them, the Executed Volume;
 - b) The Auction Price corresponds to the price that maximizes the Executed Volume and, in the case of a tie, to the lowest one.
55. The Auction Price is unique and corresponds to the purchase price by the SLR and acquiring TMs, and the purchase price of all selling TMs.

Single Round Auction Model

56. The Single Round Auction model is of the sealed envelope type, consisting of a single Round.
57. For each Contract, the TMs are given:
 - a) The Maximum Auction Price, equal to the Reserve Price.
 - b) The Minimum Auction Price; instrumental and lower than the previous one.
58. The SLR Auction consists of the following phase sequence:
 - a) Preliminary information – First phase of the SLR Auction, during which the Auction Platform displays all relevant information about the Auction, as well as the screen area designated for the entry of Orders (not editable by the user at this stage);
 - b) Bid Submission – Phase during which the TMs can place Orders in the Auction Platform, which are validated prior to acceptance;
 - c) Post-validation – Phase during which the validation of Orders is approved by OMIP, during which time the TMs can submit complaints concerning orders rejected;
 - d) Processing – Phase during which the processing of Orders and the calculation of results take place;
 - e) Provisional information – Phase during which the provisional results are made available on the Auction Platform and validated by the regulatory authorities of the MIBEL electricity sector;
 - f) Final information – Final phase of the SLR Auction, during which the final results of the auction are made available on the Auction Platform.

Prices

59. The format of prices associated to Orders is defined in the General Contractual Terms of Contracts taken to Auction.
60. The Maximum and Minimum Auction Prices are defined as follows:
 - a) The Maximum Round Price is equal to the reserve price set at €/MWh
 - b) The Minimum Round Price is equal to 0.00 €/MWh.
 - c) Given the characteristics of the SLR, the maximum variation price limits do not apply.

Format and Contents of Orders

61. Buy Orders at Reserve Price are entered by OMIP and the remaining Orders are entered by the selling TMs in the Auction Platform during the Bid Submission Phase, their format being defined in this section. Each Order has its registration time.

62. Selling TMs place their Orders in the Auction Platform, in pairs showing volume/price, for which ten intermediate levels are given, defined by the Participant, to specify the price levels at which they intend to reduce the volume of their Order to lower prices.
63. An Order includes the following price/volume pair:
 - a) The desired buy and sell volume at Auction Reserve Price, which is entered by OMIP and sent by buying and selling TMs by e-mail no later than one hour before the SLR Auction begins.
 - b) Up to 10 pairs of Entry Volume / Entry Price for the selling TMs. To this end, the Maximum Auction Price is considered as an Exit Price to be added to the 10 prices mentioned before, which are defined by the TMs.
 - c) The volume desired at Minimum Round Price will in any case be null. If a TM enters a Minimum Price, OMIP will again enter the value of 0 MW during the Post-validation phase.
64. The volumes included in the Orders correspond to the number of Contracts that TMs wish to sell and can only assume positive integer values.
65. The format of prices included in the Orders is specified in the respective General Contractual Terms, each one representing the minimum value for which the TM accepts to sell the volume indicated in the respective price/volume pair.
66. Cumulative Buy Volume, at a price of P, is the sum of the volumes bid by the SLR and buying TMs at a price higher than or equal to P.
67. Cumulative Sell Volume, at a price of P, is the sum of the selling volumes of the selling TMs at a price lower than or equal to P.
68. If a TM does not submit a valid Order, it is considered that the TM did not submit any Order in the Auction.

Order Validation

69. The Orders are submitted for validation in the Auction Platform, so as to assess their compliance with:
 - a) The maximum volume admissible for each selling TM, which is equal to or less than the Auctioned Volume, or any other volume as set by ERSE;
 - b) The provisions about the volumes and prices admissible in the Auction;
 - c) The period admissible for the registration of Orders in the Auction Platform, corresponding to the Bid Submission Phase.
70. The Orders that do not comply with the requirements of the preceding paragraph are rejected by the Auction Platform.
71. In relation to the rejected Orders:
 - a) OMIP informs the respective TMs, through the Auction Platform, of the reasons for their rejection;
 - b) TMs may complain about the rejection of an Order until the end of the Post-validation period;
 - c) If a TM demonstrates that an Order was wrongly rejected at the Bid Submission Phase and wishes it to be considered, they may request OMIP to allow the registration, and OMIP will then enter it in the Auction Platform.
72. When a TM submits more than one valid Order, it is considered that the last valid Order replaces and renders all of the previous ones invalid, in which case the last valid Order is the one used in the process for determining the results of the SRG Auction.

Auction Price

73. The results of the Auction are calculated as follows:
 - a) The group formed by various Exit Prices presented by the TMs in the Ask Orders and at the Minimum and Maximum Auction prices are sorted in ascending order;

- b) Bid orders at Reserve Price by SLR and buying TMs are considered.
 - c) The Executed Volume is calculated for each of the prices defined in the preceding sub-paragraphs.
 - d) The Auction Price that maximises the Executed Volume, and in the case of a tie to the lower price.
74. The Auction Price corresponds to the bidding price of the SLR and buying TMs and to the asking price for the selling TMs.

Allocation of Volumes

75. All volumes bid at prices lower than the Auction Price are allocated.
76. As regards volumes bid at Auction Price, the allocation is done according to the following algorithm:
- a) If the Excess Order at Auction Price is null, all volumes bid at Auction Price are allocated;
 - b) If the Excess Order at Auction Price is positive, the Remaining Volume, not allocated at volumes at a lower price than the Auction Price, is allocated among the TMs with Exit Volumes at Auction Price, according to the pro-rata matching rules defined in the following paragraph;
77. The Remaining Volume is allocated among the TMs with Exit Volumes at Auction Price, as follows:
- a) The SLR Order will have priority over the remaining Orders, after which the following sub-paragraphs will apply;
 - b) Allocation of volumes proportional to the Exit Volume of each Order involved in the pro-rata process, thus obtaining integer values through truncation and, if necessary, allocating 1 (one) contract to each Exit Volume in increasing order until a value equal to the Remaining Volume is achieved;
 - c) If there are Orders on equal terms as to the volume for applying the mechanism referred to in the preceding sub-paragraph, an order of precedence by priority of time is defined, where the volume of 1 (one) contract is allocated in increasing chronological order according to the time registered by the Auction Platform;
 - d) Pursuant to the preceding sub-paragraphs, the Exit Volumes whose price is equal to the Auction Price can be met only partially or, in borderline cases, may not be met.
78. The TMs recognise and accept that if the volume concerning the matched Orders, through the application of these Rules, is lower than the Auctioned Volume, it does not entitle them to any remaining volume nor imposes on the SLR any contractual or commercial obligation related thereto.
79. After the calculation of the final result of the SLR Auction, the Operations are said to be firm and entered onto the Market Trading Platform.

Information

80. OMIP provides the TMs, on even conditions, the information that it deems necessary for the proper running of the SLR Auction and for the entry of Orders in the Auction Platform.
81. In each Round, through the Auction Platform, the TMs have access to the following information:
- a) Preliminary Information Phase: Round Opening Price and Round Closing Price of the current Round in question;
 - b) Provisional Information Phase: Auctioned Volume at Round Closing Price, and interval, as a percentage, of the Auctioned Volume at Round Closing Price, which integrates the Excess Order at Round Closing Price and Estimated Timetable for the next Round Phases;

- c) For the purpose of the preceding sub-paragraph, OMIP defines, by Notice at least two Trading Days prior to the SLR Auction, the possible intervals for the information on the Excess Order at Closing Round Price, as a percentage of the Auctioned Volume at Round Closing Price:
 - d) In the Provisional Information Phase of the Last Round: provisional results of the Auction, which consist of the disclosure of the Auction Price and the Interval of the Excess Order at the Closing Price of the Last Round, for all the TMs, and, for each TM, the volume allocated on a provisional basis.
82. After the validation of the results, OMIP announces, through the Auction Platform, the final results, namely:
- a) The Auction Price;
 - b) The Volume Allocated to each TM, only to the TM involved in the transaction.
83. The SLR Auction information is published by OMIP in the Market Bulletin and on its website.
84. OMIP sends ERSE the full information on each SLR Auction, including the positions taken by each entity and the composition of the Bid and Ask Orders in each Auction Round.

Entry into Effect

85. This instruction has been registered with CMVM on September 9th, 2019 and enters into effect on September 20th, 2019.

The Board of Directors

ANNEX 1

Definitions and Abbreviations

Excess Order

Excess Order is defined, at a price P, as the difference between the Aggregated Volume at a price P and the Auctioned Volume at that price.

Phase

Each of the phases into which the Round is subdivided.

Auction

Clock or single round type auction executed according to this Instruction, with the purpose of determining:

- The Auction Price;
- The Volume Allocated to each TM.

TM

Trading Member who has qualified for the SLR Auction.

Orders

Asks in SLR Auctions, in number of Contracts, containing the following information:

- The volume bid at Round Opening Price;
- The volume bid at Round Closing Price;
- Up to four pairs of Exit Volume / Exit Price in the Descending Clock Auction and up to 11 pairs of Exit Volume / Exit Price in the Single Round Auction.

Round Opening Price

Where applicable, the Round Opening Price of a Round is equal to the Round Closing Price of the previous Round, except in the first Round, where it is fixed by ERSE.

Round Closing Price

Price defined by OMIP as per the methodology approved by ERSE, representing the minimum price that can be determined by the TMs in each Round.

The Round Closing Price is lower than the Round Opening Price.

Auction Platform

Computer system accessible via Internet using a username and a password. It supports the operation of the Auction, in particular the entry of Orders by TMs and the dissemination of information provided for in this Instruction.

Auction Price

Price obtained as the result of the Auction process concerning all volumes allocated pursuant to this Instruction.

Exit Price

Price defined by the selling TMs in their orders, to specify the maximum price for which they are willing to sell the volume specified in the respective Exit Price / Exit Volume, where the Round Closing Volume is less than the Round Opening Volume.

In each Round, the Exit Prices are equal to or lower than the Round Opening Price and greater than the Round Closing Price.

Cumulative Volume

Cumulative Volume at a price of P, in a Round, is defined as the sum of the volumes bid by the selling TMs at a price lower than or equal to P.

Aggregated Cumulative Volume

Aggregated Cumulative Volume, at a price of P, is known as the sum of the Cumulative Volumes of all the selling TMs at that price.

Allocated Volume

Volume allocated to each TM as a result of the Auction.

Aggregated Round Closing Volume

Sum of the Round Closing Volumes of all selling TMs.

Executed Volume

The lowest between the Aggregated Cumulative Volume and the Auctioned Volume at a price of P.

Round Closing Volume

Volume bid at the Round Closing Price of each Round which, if the Round in question is not the Last Round (where applicable), represents the eligible volume of each selling TM for the next Round, if available, and, therefore, the maximum volume that they can sell at the Auction.

Auctioned Volume

Auctioned Volume at a price P in a Round is defined as the total volume to be allocated in the Auction process at a price lower than or equal to P by the SLR and purchasing TMs.

Remaining Volume

Difference between the Auctioned Volume at a price equal to or higher than the Auction Price and the Aggregated Volume at the price immediately below the Auction Price.

Exit Volume

Volume included in an Exit Price / Exit Volume pair.

Round

Sequence of events grouped into Phases, repeated throughout the SLR Auction, until the closing conditions are met.

Last Round

Round during which the Auction closing conditions are met.