

# **Auction Market Regulations**

**Trading Appendix 2B**

**N2EX Physical Market**

**Nord Pool AS**

**NORD  
POOL**

## AUCTION MARKET REGULATIONS

### 1. INTRODUCTION

- 1.1 These Auction Market Regulations contain detailed provisions on Orders and Auction Price calculation in the Auction Market and are part of the Physical Market Trading Rules.
- 1.2 The *Auction Market* provides Trading by means of an Auction for 24 Delivery Hours in respect of each Delivery Day based on all Orders by the Participants received prior to closing of the relevant Auction.
- 1.3 Following Auction Closure, all volume and Orders received are stacked and a market equilibrium is calculated. Based on the price and volume market equilibrium, each Participant's rights and obligations regarding the sale and purchase of electricity for the relevant Delivery Hours are determined as further set out herein.

### 2. HANDLING OF ORDERS

#### 2.1 Order Form

- 2.1.1 Orders in the Auction Market shall be submitted using Nord Pool' standard order form and shall be transmitted to Nord Pool through the ETS. Transactions resulting from Orders being matched in the ETS are automatically and mandatory registered for Clearing.
- 2.1.2 Nord Pool may, in situations where the ETS is not working and in addition to what is stated in the General Terms, decide that e-mail may be used as alternative communication using an alternative order form as specified by Nord Pool. When using e-mail, Nord Pool can restrict the number of Price Steps in the Hourly Orders and the number of Block Orders.
- 2.1.3 The Order form must provide complete information in order to be valid. In case of rejection, the Price Report received by the Participant from Nord Pool will declare that no Transaction is concluded. Nord Pool will in these cases, if needed, determine separate rules for Price Reports and deadlines for submitting notices of error(s) which may deviate from the provisions set out in Section 6.

#### 2.2 Quoting

- 2.2.1 Subject only to Section 2.5 all Orders are binding and are available to be matched in accordance with these Auction Market Regulations.
- 2.2.2 Orders shall be quoted using the Order Types allowed by the Product Specifications, as further specified in Section 3 below. Each Order must specify whether it is a Bid or an Offer, where Bids are denoted by positive Energy Volume numbers and Offers as negative Energy Volume numbers.
- 2.2.3 Energy Volume Limits and Order Price Limits must be within the technical limits set out in the Product Specifications, and must furthermore be within the applicable Price Range.
- 2.2.4 Each Order represents an individual and independent Order for the Delivery Period(s) to which it relates. Except as specifically mandated by the Order Type used and subject to Section 2.5, each Order shall represent an individual offer to purchase or sell independent of any other Orders submitted by or on behalf of each Participant to the same Auction with respect to such Delivery Period(s).

2.2.5 Each Auction relates to a specific Delivery Day. Orders can be submitted from the opening of Orders for that Auction until Auction Closure, as further set out in the Product Specifications and the Trading Schedule.

### **2.3 Price Range**

2.3.1 The notified Price Range will apply to each Auction, provided that Nord Pool may change such Price Range by giving at least 2 (two) days' notice before Auction Closure. In case of a change of the Price Range for any Auction following the opening of Orders for that Auction, all Orders submitted prior to such change will automatically be cancelled.

### **2.4 Auction Closure**

2.4.1 Orders received following Auction Closure will be considered null and void regardless of cause, unless as otherwise provided in the Trading Rules. For the avoidance of doubt, this also applies to Orders received after Auction Closure by reason of Force Majeure or communication failure and irrespective of whether or not the Participant is in any default.

2.4.2 Participants experiencing technical difficulties when submitting Orders to Nord Pool must inform Nord Pool about this immediately.

### **2.5 Errors in Orders**

2.5.1 Each Participant is responsible to check that the Orders it submits (or which are submitted on its behalf) and which are received by Nord Pool are correct and valid, including in situations where manual handling of the Orders by Nord Pool has been found necessary.

2.5.2 If a Participant becomes aware of any error in an Order, the Participant shall notify Nord Pool immediately of such error.

2.5.3 Following receipt of a notice pursuant to Section 2.5.2, Nord Pool shall consider in its sole discretion whether any measures can be taken to avoid or mitigate any potential losses to the Participant without conflicting with the Auction Price and the interests of the Market, other Participants, or any obligations of Nord Pool.

2.5.4 Nord Pool may, in its absolute discretion, but shall have no obligation to, contact Participants through MTS and offer that the Participant the opportunity to submit and/or correct an Order should Nord Pool have reason to believe that an Order submitted by the Participant is erroneous, or that the Participant has erroneously failed to submit an Order.

### **2.6 Auction Delay or Failure**

2.6.1 If Nord Pool is delayed in performing an Auction, Nord Pool shall inform Participants by publishing an Operational Message on Nord Pool's website at 30 (thirty) minute intervals starting no later than 11:42, until such time as the Auction is successfully completed.

2.6.2 If Nord Pool is not able to perform the Auction before 15:30 on the day prior to the relevant Delivery Day, the Auction will be deemed to have failed and all Orders to the Auction will be cancelled.

2.6.3 In the case of an Auction failure pursuant to Section 2.6.2, the previous day's Auction Price hour by hour will be deemed as a "synthetic" Auction Price for the Delivery Day in question, but no Orders will be matched based on such Auction Price. In this context, the "previous day" means the previous Banking Day if the auction failure has effect on a Banking Day, and the previous weekend day or public holiday, as appropriate, if the auction failure has effect on a Saturday, Sunday or public holiday.

### 3. ORDER TYPES

#### 3.1 Hourly Orders

- 3.1.1 Hourly Orders are the Participant's statement of its willingness to purchase or sell a specified Energy Volume at a specified price in a given Delivery Hour of the applicable Delivery Day.
- 3.1.2 In each Hourly Order, the Participant shall submit a set of Order Price and Energy Volume specifications for the applicable Delivery Hour, starting with the Energy Volume at the lower Order Price Limit and ending with the Volume Limit at the upper Order Price Limit. Additional Price Steps on the Order curve may be specified as set out in the Product Specifications.
- 3.1.3 The volume given in an Hourly Order for sale of electricity (Bid) must be constant or increasing with increasing Order Prices. The volume given in an Hourly Order for purchase of electricity (Offer) must be constant or decreasing with increasing Order Prices.
- 3.1.4 To create an Order curve Nord Pool will, upon receipt of an Hourly Order, interpolate the values between each Price Step comprised in such Hourly Order by means of linear interpolation, and the Participant may be matched at any point on the Order curve resulting from such interpolation.

#### 3.2 Block Orders

- 3.2.1 Each Block Order must include details of such Block's Order Price Limit, the hourly Energy Volume, the start and stop time and the applicable Minimum Acceptance Ratio (if less than 100 per cent). In the absence of any Minimum Acceptance Ratio being specified, the Minimum Acceptance Ratio will be deemed to be 100 per cent. The Energy Volume may be different in each Delivery Hour of the Block
- 3.2.2 Each Linked Block Order must specify the order of priority between the Block Orders comprised in such linked Block. Nord Pool may, in its absolute discretion, specify the maximum number of permitted priority levels that may be notified with respect to any Linked Block Order and the maximum number of permitted Block Orders at each priority level. The maximum number of permissible priority levels and Block Orders may be changed by Nord Pool at any time prior to Auction Closure on one (1) day's written notice.
- 3.2.3 Each Block Order comprised within an Exclusive Group must specify such Block's Minimum Acceptance Ratio (if less than 100). In the absence of any Minimum Acceptance Ratio being so specified, the Minimum Acceptance Ratio for such Blocks within the Exclusive Group will be deemed to be 100.

#### 3.3 Flexible Orders

- 3.3.1 A Flexible Order must specify an Energy Volume that the Participant would be willing to purchase or sell in each applicable Delivery Hour of a nominated Delivery Range, the applicable Order Price Limit and the number of consecutive Delivery Hours with such Delivery Range for which the Flexible Order may be matched.

#### 3.4 Order Amendments

- 3.4.1 In any case where a Participant submits more than one Hourly Order for the same Delivery Hour and on the same Trading Portfolio, the Hourly Order submitted latest in time and not rejected by Nord Pool will over-write and cancel all prior Hourly Orders in respect of such Delivery Hour.
- 3.4.2 Any Block Order or Flexible Order which has been accepted by Nord Pool may subsequently be amended at any time prior to Auction Closure in accordance with the relevant ETS change procedure for such Order as may be determined by Nord Pool in its absolute

discretion from time to time.

## 4. MATCHING

### 4.1 Matching of Hourly Orders and Calculation of Auction Price and Volume

- 4.1.1 All Orders submitted for each Delivery Hour will be regarded as a point on an Order curve for Offers and Bids respectively, where each Order curve is created by interpolating straight lines between the Orders on the curve. The point of intersection between the aggregated Offer and Bid curves establishes the Auction Price and Energy Volume per Bidding Area for that Delivery Hour.
- 4.1.2 Any imbalance between total Offers and total Bids caused by the rounding off of volumes for each Participant when calculating the Auction Price will be shared between Participants whose Orders are matched in respect of the relevant Delivery Hour.
- 4.1.3 All Transactions in the Auction Market relating to one Delivery Hour will be matched at the Auction Price applicable for that Delivery Hour

### 4.2 Matching of Flexible Orders and Block Orders

- 4.2.1 Flexible Order may be matched if the Order Price and volume criteria of the Flexible Order are met in relation to the relevant Auction Price and Energy Volume. The priority between the different Flexible Orders shall be based on the Order Price of the Flexible Order.
- 4.2.2 If activated, the Flexible Order will be activated in the Delivery Hour(s) in which it provides the highest overall Social Welfare.
- 4.2.3 Block Orders are activated if they meet the criteria below:
  - a. A Block Order for sale is matched only if the average Auction Price for the Delivery Hours comprised in the Block Order is equal to or higher than Order Price specified in the Block Order. A Block Order for purchase is matched if the average Auction Price for the Delivery Hours comprised by the Block Order is equal to or lower than Order Price specified in the Block Order. In addition, the aggregate Energy Volume of the Block Order must be matched in full. If the Energy Volume in each hour of the Block Order differs, the volume weighted average price of the Block Order shall determine whether the Block Order is matched or not.
  - b. In case of competing Block Orders where not all Block Orders can be matched under 4.2.3(a) above, the selection of Block Orders shall be based on (i) the difference between the Auction Price and the Order Price of the Block Order for the relevant Delivery Hours, with the Block Order(s) with the larger difference ranking higher in priority; and (ii) energy, which means volume multiplied with the number of hours in the Block. If for competing Block Orders the difference between the Order Price and the Auction Price is equal, then the Block Order or combination of Block Orders that, when matched, results the largest transacted volume of electricity will be given priority.
  - c. In case of two or more identical and competing Block Orders where not all Block Orders can be matched under 4.2.3(a) or (b) above, the selection between the Block Orders is random.
- 4.2.4 In respect of Linked Block Orders, the normal rules for matching of Block Orders in Section 4.2.3 shall apply, provided that:
  - a. Any Block Order which does not have the highest priority within its linked Block will only be matched if all the Block Orders with higher priority within the relevant linked Block have already been matched;

- b. A Block Order that is not otherwise matched according to Section 4.2.3 may still be matched as part of a Linked Block Order if the matching of such Block Order, together with such other Block Orders at lower priority levels of the Linked Block Order, does not result in an overall loss for the Participant who submitted such Linked Block Order; and
- c. The Minimum Acceptance Ratio of any Block Order with lower priority cannot be greater than the Minimum Acceptance Ratio of a Block Order in such linked Block which has higher priority.

## 5. REOPENING PROCEDURES

### 5.1 Reopening in Case of Non-Matching

- 5.1.1 If situations occur where a point of intersection between the Bid and Offer curves is not achieved (“non-matching”), Nord Pool will, using reasonable endeavours, perform the following steps:
  - a. Nord Pool will inform all Participants of the Delivery Hour(s) in respect of which a non-matching has occurred, and Reopening will be announced for the affected Delivery Day. The Reopening under this Section 5.1 will be for a period announced by Nord Pool, but for no shorter than 10 minutes. In case of non-matching at the Upper Technical Order Price Limit referred to in section 4.1 of the Product Specifications for any Auction, each Participant may only adjust its Orders compared with the reopened Auction by increasing its sales Orders or decreasing its purchase Orders in the subsequent Auction. In case of non-matching at the Lower Technical Order Price Limit for any Auction, each Participant may only adjust its Orders compared with the reopened Auction by decreasing its sales Orders or increasing its purchase Orders in the subsequent Auction.
  - b. If, following the procedure in Section 5.1.1(a), a point of intersection between the Offer and Bid curves is still not achieved, then Block Orders that increase the need for curtailment in the market and that include the Delivery Hour where non-matching occurs shall be excluded from the Auction Price Calculation, and rejected from the Auction in their entirety.
  - c. If, following the procedure in Section 5.1.1(b), a point of intersection between the Offer and Bid curves is still not achieved, then Nord Pool will deduct Orders on a pro rata basis until a point of intersection is achieved.

### 5.2 Reopening in Case of Exceeding Thresholds

- 5.2.1 If a situation occurs whereby a Price Threshold is exceeded, Nord Pool will, to the extent reasonably possible, inform all Participants of the Delivery Hour(s) where a Price Threshold has been exceeded, and Reopening will be announced for the affected Delivery Day. The Reopening under this Section 5.2 will be for a period announced by Nord Pool, but for no shorter than 10 minutes.
- 5.2.2 In case where the Upper Technical Order Price Threshold has been exceeded, each Participant may only adjust its Orders compared with the reopened Auction by increasing its sales Orders or decreasing its purchase Orders in the subsequent Auction. In the case where the Lower Technical Order Price Threshold has been exceeded, each Participant may only adjust its Orders compared with the reopened Auction by decreasing its sales Orders or increasing its purchase Orders in the subsequent Auction.
- 5.2.3 If, following the procedure in Section 5.2.2, a point of intersection between the Offer and Bid curves is still not achieved, then the Orders as submitted to the Trading System in the subsequent Auction will stand.

### 5.3 Reopening in Case of Unforeseen Decoupling

- 5.3.1 In the event of any unforeseen Decoupling, Nord Pool will announce a Reopening.
- 5.3.2 During the Reopening any Participant or Client Representative on its own behalf or on behalf of a Client, may submit or re-submit Orders.
- 5.3.3 The Reopening under this Section 5.3 will be for a period announced by Nord Pool in accordance with the relevant MCR operational procedures.

## **6. REPORTS**

### **6.1 Price Report**

- 6.1.1 When the Auction Price and Energy Volumes have been calculated, Nord Pool shall inform the Participant of its calculated purchase/sale in a Price Report to the Participant on the day preceding the day for which the Auction Price is given.
- 6.1.2 The Price Report specifies the Auction Price and Energy Volume for each Delivery Hour in which Order(s) have been matched.
- 6.1.3 Price Reports prepared for Client Representatives shall specify the Auction Prices and Energy Volumes for each Client in addition to those in respect of the Client Representative's own Trading.
- 6.1.4 The Price Report will normally be made available to Participants within forty-two (42) minutes following the Auction Closure. If the Price Report is delayed, Nord Pool shall give the Participants notice of such delay as soon as possible.

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