

eSM - Faster Settlements

Legal Committee 27-Feb-2023

- Current Settlement Context
- eSM – What is it ?
- eSM Live Status
- Benefits & PWC study
- What is the Ops Committee progressing now ?
- Next steps – Creation of the eSM Annex

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Definitions & Rules	Descriptions
Coverage & Pre-requisites Gas, Power, Emissions , Coal <u>Physical</u> plus associated fees Pre-requisites: Both parties use eSM at Line Item level. Preferred that both parties use the eSM rounding rules as per eSM Standard.	Description: Coverage All commodities and products (Physical & associated fees) that fall under eSM, to be included in faster settlement, except deals with pricing that does not allow for daily settlement, e.g., deals whose final price is calculated based on a monthly average of daily closing prices.

eSM - Daily Settlement – Timetable Example

Reviewed by WG X 2 on 22.11.22 and 19.01.23 – feedback amendments in blue

Coverage : FIXED prices and INDEX -> payment BD+4

Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Sunday	Monday
(1)delivery		(1)Settlement	(1)netting statement	(1)Payment			(8)delivery		(8)Settlement	(8)netting statement	(8)Payment			
	(2)delivery		(2)Settlement	(2)netting statement			(2)Payment	(9)delivery		(9)Settlement	(9)netting statement			
		(3)delivery		(3)Settlement			(3)netting statement	(3)Payment	(10)delivery		(10)Settlement			(10) netting statement
			(4)delivery				(4)Settlement	(4)netting statement	(4)Payment	(11)delivery				
				(5)delivery				(5)Settlement	(5) + (6) + (7) netting statement	(5) + (6) + (7)Payment	(12)delivery			
					(6)delivery			(6)Settlement				(13)delivery		
						(7)delivery		(7)Settlement					(14)delivery	

Example : If Thursday was a holiday in either of the parties jurisdiction

Monday	Tuesday	Wednesday	TH HOLIDAY	Friday	Saturday	Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Sunday
(1)delivery		(1)Settlement		(1)netting statement			(1)Payment						
	(2)delivery			(2)Settlement			(2)netting statement	(2)Payment					
		(3)delivery					(3)Settlement	(3) + (4) netting statement	(3) + (4) Payment				
			(4)delivery				(4)Settlement						
				(5)delivery				(5)Settlement	(5) + (6) + (7) netting statement	(5) + (6) + (7)Payment			
					(6)delivery			(6)Settlement					
						(7)delivery		(7)Settlement					

**ONE invoice per single Flow Day
(per aggregation keys)**

Invoice to be **sent** by midday of the second BD, BD+2 , i.e **2 BD** after the delivery flow

Payment - to be **paid** the later of **4 BD** after the flow
or **2 BD** after the invoice is issued

Key

Settlement	=generation of invoice and shadow invoice matching via eSM and resolution of mismatches
Netting statement	= generation of netting statement & shadow netting statement matching via eSM and resolution of mismatches

eSM – M+10 CD Settlement – Timetable Example

A. Scenario: 1st falls on a Monday

..Previous Month...	1st	2nd	3rd	4th	5th	6th	7th	8th	9th	10th	11th	12th
	Monday	Tuesday	Wednesday	Thursday	Friday	Sat	Sat	Monday	Tuesday	Wednesday	Thursday	Friday
Delivery...			Settlement	Netting Generated & Matched						Payment		
			M +3 BD	M +4 BD						M + 10 CD		

B. Scenario: 1st falls on a weekend, followed by PH , e.g. Jan

..Previous Month...	1st	2nd	3rd	4th	5th	6th	7th	8th	9th	10th	11th	12th
	Sun	Mon -PH	Tuesday	Wednesday	Thursday	Friday	Sat	Sat	Monday	Tuesday	Wednesday	Thursday
Delivery...					Settlement	Netting Generated & Matched				Payment		
					M +3 BD	M +4 BD				M + 10 CD		

C. Scenario: 1st falls on a PH , weekend, followed by another PH , e.g. Easter Good Fri, WE followed by Easter Mon

..Previous Month...	1st Apr	2nd	3rd	4th	5th	6th	7th	8th	9th	10th	11th	12th
	Easter Fri PH	Sat	Sun	Easter Mon PH	Tuesday	Wednesday	Thursday	Friday	Sat	Sun	Monday	Tuesday
Delivery...							Settlement	Netting Generated & Matched			Payment	
							M +3 BD	M +4 BD			M + 10 CD	

M+10 Settlement Rules

M +3 BD	Settlement == Invoice Generated & Matched
M +4 BD	Netting Generated & Matched
M + 10 CD	Payment on the 10 th or <u>earlier next BD</u> , if the 10 th CD is a PH in either jurisdictions

eSM Faster Settlement – Next Steps for Operations

Next WGs to progress the activities below:

	Next Steps for 2023	Status	Due Date	Who- EFET
A	Faster Settlement - Annex Engage with Legal to create Draft Proposal for Annex Pass all findings and Proposed Annex to Legal team	Completed	H1-2023	Gavin/ Anca
B	Credit committee Credit committee to have sight and be informed of Faster Settlements outcomes	Ongoing	2023	Gavin/ Anca
C	WG for faster settlement Ascertain appetite for creating a separate WG for faster settlement in 2023 Establish how will this operate and participants & scope of work for daily settlement and M+10	In Progress	H1 2023	Gavin/ Anca
D	Recommendations for High Level Impact Assessment Create high level draft and disseminate High Level Impact in the WG for faster settlement in 2023	In Progress	Q1-2023	Gavin/ Anca

Next Steps for Legal

	Next Steps for 2023	Status	Due Date	Who- EFET
E	Faster Settlement – Legal to draft Annex Mobilise Legal working group to create Draft Proposal for Annex, mirroring the Ops WG	Pending	Summer-2023	Sonia /Aygul
F	Legal Committee to review and sign off Annex	Pending	Q3-2023	Legal Committee

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- Any Questions ?