



# **Single Electricity Market Committee**

## **Updates to ESB's Directed Contracts (DC's) Contracting documentation**

### **Information Paper**

**SEM-18-036**

**20th July 2018**

# INFORMATION PAPER

- 1.1 On the 16th November 2017, the SEM Committee published a Decision Paper (SEM-17-083) regarding ESB's proposed revisions to its Directed Contracts (DCs) Master Agreement and DC Subscription Rules for the revised SEM trading arrangements.
- 1.2 The Decision Paper (SEM-17-083) confirmed the SEM Committee's approval of the following suite of documents from ESB:
- Framework Agreement (SEM-17-085) – Financial Energy Master Agreement (FEMA);
  - Credit Support Annex (SEM-17-085a);
  - Confirmation Document (SEM-17-085b); and
  - Subscription Rules (SEM-17-085c).
- 1.3 Following the publication of the Decision Paper (SEM-17-083), ESB have proposed an amendment to the negative interest provision under the DC FEMA Credit Support Annex (CSA) in addition to minor technical edits. The amendment restates sub-clause 9(2) to explicitly set out the methodology for calculating the annual Interest Amount under the CSA where the Reference Interest Rate is a negative number. This technique applies the methodology used under the ISDA (International Swaps and Derivatives Association) Negative Interest Protocol with logical amendments to align with the FEMA CSA.
- 1.4 Additionally, ESB have proposed a number of technical edits to ESB's DC FEMA, Schedule, CSA and Subscription Rules, which are summarised in sections 1.5 to 1.8 below:
- 1.5 Minor technical corrections to ESB's DC FEMA are summarised below:
- i. **Section 2.(b): Authorised Persons**  
The spelling of “**acknowledges**” in line 3 is corrected
  - ii. **Section 2(f): Invoicing**  
The reference to “5(c)” in subclause (v) is corrected to read “5(a)(c)”
  - iii. **Section 2.(i): Specified Information**  
The word “my” is corrected to read “**may**” in line 5
  - iv. **Section 7.(a): Events of Change**  
The words “or Specification” are deleted after the word “Illegality” in lines 2 and 3.

v. **Section 8: Disputes**

The clause "Subject to Section 2()" is corrected to read "Subject to Section 2(f)" in line 1

The spelling of "**appoint**" in line 5 of subclause (ii) is corrected.

vi. **Section 11.(a): Entire Agreement and Counterparts**

The parenthetical in line 5 is amended to add the words "**by email or**" after the word "including"

vii. **Section 11.(b): Notices**

The words "**by e-mail**" are added before the words "or electronic messaging system" in Line 5 and the words "e-mail or" in Line 7

viii. **Section 12: Definitions**

- Call. The definition is amended to add the word "**Commodity**" before the word "Option" in Line 1.
- Force Majeure Event. The definition is amended to correct the spelling of "**appropriate**" in Line 15.
- Put. The definition has been removed insofar as the Put option is not used under the DC FEMA.
- Subscription rules. The date reference to version 2 date is corrected to read "**13 November, 2017**"

1.6 Minor technical changes to ESB's SCHEDULE are summarised below:

**Part 2.(d): Additional Termination Events**

Deletes the word "Master" in Line 2.

**Part 6: Interest Rate**

The reference to "Due Date" is amended to read "Payment Date"

**Part 8.(d): Other Provisions**

Deletes the word "Master" in Line 1.

1.7 Details of the changes to ESB's CSA is summarised below:

**Clause 9.(2): Negative Interest**

Restates sub-clause 9.2 as follows:

"If the Reference Interest Rate used to ascertain the Interest Amount for Cash collateral as set out in Clause 9(1) is a negative number, the related absolute value negative Interest Amount as calculated by the Valuation Agent will be used to determine the Interest Amount."

### **Clause 14.12(c): Specifications**

The date reference to version 2 is corrected to read “**13 November, 2017**”

- 1.8 Details of changes to ESB’s Subscription Rules is summarised below:

#### **Section 8.1 Credit Cover Requirements and Methodology**

“Independent Amount for the relevant Subscription Window” is amended to read “Independent Amount **applicable to the Transferor** for the relevant Subscription Window” in the definition of Exposure as set out on page 13.

- 1.9 Having considered ESB’s proposed edits, the SEM Committee has decided to approve ESB’s proposed changes, and updated versions of ESB’s DC FEMA, DC FEMA CSA and Subscription Rules have been published on the SEM Committee website.
- 2.0 ESB have advised that it will issue an Updated Agreement to relevant market participants with the edited language to update their existing documents.