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EPEX SPOT's benchmarks: Internal review and approval of the methodology

Product Development department

Version: 1.0

Summary

<u>Related process</u>	Regulation (EU) 2016/1011
<u>Objective of the procedure</u>	This procedure describes the process for reviewing the methodology of the indices calculated and published by EPEX SPOT.
<u>Person/department responsible for the approval and maintenance of the procedure</u>	Product Development department.
<u>Monitoring process of compliance with the procedure</u>	Checklist and yearly reminder.
<u>Measures to be taken in event of breach of the procedure</u>	Reporting to the Management Board and the Human Resources department who may take appropriate action depending on the nature of the breach.

Historical of the document (Update must be performed after any modification of the process)

Evolution	Date	Version	Author	Comments
Creation	2019 10 31	1	A. RAMBAUD	
Update				

Current version must be designated with grey background

Related Documents

Document Name	File location
All other procedures relation to the Regulation (EU) 2016/1011	<u>J:\22-Productdev\01-studies\03-regulation\Benchmark Regulation\Benchmark</u>

Pursuant to Article 13(1)(b) of the Regulation (UE) 2016/1011, EPEX SPOT shall publish or make available the details of the internal review and approval of PHELIX DE methodology.

Article 3 of Delegated Regulation 2018/1641 lists all the details which must be provided.

<p>Reviewing process</p>	<p>PHELIX DE (and all EPEX SPOT benchmarks used for the settlement of derivatives) methodology is set as the arithmetic average of all the twenty-four hourly prices over the day returns the baseload price index and the arithmetic average of the peak load hours (8:00-20:00) returns the peak load price index.</p> <p>This methodology is an industry-wide standard definition, is supposed to be simple and straightforward and therefore not subject to change.</p> <p>Nevertheless, for the sake of being compliant with the Regulation (UE) 2016/1011, and because other indices from EPEX SPOT might serve for the settlement of derivatives in the future, this methodology will be reviewed every year by the employee at EPEX SPOT in charge of supervising the benchmarks.</p> <p>Given the simplicity of the benchmark methodology, the reviewing process will consist only in analysing whether or not the methodology is still relevant and answers to the users' needs.</p>
<p>Frequency of review</p>	<p>Every year.</p>
<p>Events that may give rise to an internal review</p>	<p>Complaints from users of the benchmarks.</p> <p>A significant deterioration of the liquidity of the underlying market prices used for the computation of a benchmark.</p>
<p>Mechanism used by the administrator to determine whether the methodology is traceable and verifiable</p>	<p>The simplicity of the methodology and the availability/publicity of all data used for the computation of the indices (on the EPEX SPOT website, FTP) used guarantee the ability to trace and verify the methodology.</p>
<p>Bodies and function involved</p>	<p>Are involved in the reviewing and approval process of the methodology:</p> <ul style="list-style-type: none"> - the person in charge of the reviewing and approving the methodology is the person in charge of supervising the benchmarks activity at EPEX SPOT; - the Oversight Function.
<p>Roles of the persons involved</p>	<p>The person in charge of the reviewing and approving the methodology is the person in charge of supervising the benchmarks.</p> <p>Every year, this person shall:</p> <ul style="list-style-type: none"> - analyse whether a change to the methodology is needed; - in case a change is needed, perform an in-depth economic analysis in order to support its proposal;

	<ul style="list-style-type: none"> - presenting the proposal to change, as well as the economic analysis, to the Oversight Function.
Nomination and removal of persons involved	Process as described in <i>EPEX SPOT's benchmarks: human resources procedure</i> .