



DIRECTIVE 2/2021

FORMALIZATION OF ELECTRONIC COLLATERALS IN FAVOUR OF THE MARKET OPERATOR

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1. PREAMBLE

The Rules of Operation for the day-ahead and intraday Electric Power Production Market currently in effect were approved by Resolution of the National Commission of Markets and Competition dated May 6, 2021.

Rule 56.6.1 “INSTRUMENTS FOR FORMALIZING COLLATERALS” establishes the following, among others, as possible instruments for formalizing collaterals at the market operator:

“b) Bank Guarantee jointly and severally provided by a bank, savings bank, or credit union established in Spain or by a branch of a non-resident entity in Spain./..

e) Certificate of title surety bond jointly and severally provided by an insurance company established in Spain or by a branch of a non-resident entity in Spain./..”

It also states that:

“The market operator will establish a method of formalizing and communicating the collaterals by electronic means. The market operator will publish the directive with details about the approved formalization method and the deadline for its implementation. In the event that said formalization method is established as the only possible method, the market operator will publish a directive with the date it will go into effect, which may not be less than six months from the date said directive is published.”

To this effect, the market operator published Directive 3/2020 on November 12, 2020, on the occasion of implementing a method for formalizing collaterals by electronic means for Bank Guarantee and Insurance Guarantee Certificate in XML format. This format basically uses the model designed by the Caja General de Depósitos (CGD, the general public depository) based on the specifications of the State’s contracting platform, CODICE, consisting of XML files, which allow information to be processed automatically. This allows market agents as well as guarantors and the market operator to enjoy the advantages that this method may offer, which include: automatic validation and handling of information about the collateral, electronic authentication of the signer, immediate receipt of the collateral, ease of cancellation, lower operational risks, etc.

Previously, the state of emergency declared in Royal Decree 463/2020, as of March 14, and the corresponding restrictions on mobility made it advisable for this operator to publish Directive 2/2020, which established a method of formalizing collaterals by means of urgent and exceptional electronic means based on PDF files signed with an electronic certificate of representation from the guarantor entity. Though this format cannot be processed automatically by the systems and does not include all the characteristics listed above, it allows agents to formalize collaterals without the need for physical travel to deliver the collateral at the market operator's offices.

This Directive updates the formalization of Bank Guarantee and Insurance Guarantee Certificate in PDF format at the market operator on what is established in Directive 3/2020, maintaining the wording of the procedures for formalizing the XML format outlined in that directive.

2. DEVELOPMENT OF RULE 56.6.1

The process for receipt and accreditation of the formalization of Bank Guarantee and Insurance Guarantee Certificate will take place according to the order of priority that follows:

- 1st. Electronic collateral in XML format¹
- 2nd. Electronic collateral in PDF format

2.1. FORMALIZATION OF COLLATERALS IN XML FORMAT

The collateral is set up as an XML message that contains all of the necessary information.

The model designed by the Caja General de Depósitos (CGD), which is based on the specifications of the State contracting platform CODICE, was used. The market operator considers this to be a standard system that can be used widely by guarantors. However, the market operator has adapted the model to cover agents' payment obligations on the electricity market.

The XML message about the collateral is electronically signed by means of a certificate of representation from the guarantor entity.

¹The market operator first developed the collateral in XML format for bank guarantees, though it may also be adapted to Insurance Guarantee Certificate if deemed convenient.

The signature system accepted by the CGD is permitted; this is found in the Implementation Guide for CODICE, which aims to establish a single, standardized way of digitally signing documents. Likewise, the market operator also accepts collaterals signed with the Autofirma application in “enveloped” mode.

The collateral exchange flow with the market operator is based on the following principles:

- 1) The market agent is the only interlocutor with the market operator regarding the collateral.
- 2) The guarantor entity provides the market agent with the electronic collateral through the established procedures. The market agent will present it to the market operator by introducing it through the market operator’s platform.
- 3) The collateral will be automatically validated by the market operator at the time it is presented in its format, its content, and the validity of the electronic signature²; an electronic message signed by the market operator will be issued on its acceptance or rejection. The agent may send this message to the guarantor entity.
- 4) If the collateral passes the checks, it is recorded in the market operator’s information system and is considered valid for all purposes.
- 5) If the agent wishes to cancel or lower the collateral, they can request this through the market operator’s platform. The system will return a signed XML response message indicating whether the request has been accepted or not.
- 6) The guarantor entity may only issue a reduction in the collateral amount once the agent sends them the message issued by the market operator regarding the reduction’s acceptance. Without that message, modification of the collateral will be rejected by the market operator.
- 7) The guarantor entity may cancel the collateral in advance once the agent sends the cancellation acceptance message issued by the market operator.
- 8) Modifications to collaterals will be messages just like those about collateral registration, stating the registration number of the collateral that already exists at the market operator.
- 9) To ensure proper execution, the fields about the collateral require the e-mail address of the guarantor entity for executions, as well as the agreement that

²In an initial phase, the signature will be validated manually, so it must be validated through the Valid-e application at the following link:

<https://valide.redsara.es/valide/validarFirma/ejecutar.html>

the guarantor entity accepts the execution request by a letter signed by the market operator's authorized representative sent to said e-mail.

On its public website, OMIE will publish:

- The collateral model
- The documentation with technical specifications for the XML file
- A user manual and description of checks done

Since validation is automatic, no modifications to the text of the collateral will be permitted, and the field values must follow the established format.

2.2. FORMALIZATION OF COLLATERALS IN PDF FORMAT

As an alternative to the previous method, the market operator will accept the collateral in the form of an Bank Guarantee or a certificate of title surety bond in "pdf" format that is signed electronically by means of an electronic certificate of representation from the guarantor entity.

The signature must allow for validation via the Valid-e application at the following link:

<https://valide.redsara.es/valide/validarFirma/ejecutar.html>

Rule 56.6.3 regarding the COMMUNICATION OF THE SUBMISSION, WITHDRAWAL, OR MODIFICATION OF COLLATERALS will stay in effect, so agents must communicate information about the collateral through the OMIE agent website for it to be accepted or to request its cancellation.

The electronically signed collateral will be sent, along with the request that the agent must make on the Market Operator's Information System. It is not necessary to provide any documents either in person at the OMIE offices or by e-mail.

For purposes of the guarantor entity's knowledge, the market operator's acceptance of the electronic collateral's cancellation or its reduction by modification will occur by electronically sending a document from the market operator to the agent with the market operator's electronic signature authorizing the cancellation or reduction of said collateral.

The guarantor entity may only issue a reduction in the collateral amount once the agent sends them the message issued by the market operator regarding the reduction's acceptance. Without that message, modification of the collateral will be rejected by the market operator.



Likewise, the guarantor entity may cancel the collateral in advance once the agent sends the cancellation acceptance message issued by the market operator.

Valid models for electronic Bank Guarantee and Insurance Guarantee Certificate are available in the “Market Access Guide” and at the link:

<https://www.omie.es/es/modelos-de-garantias>

The market operator will not permit any modification to the text thereof.

3. OTHER PROVISIONS

The market operator may update the electronic collateral model and the signature methods by notifying the market agents at least one month in advance. Any such updates will be published on OMIE’s public website.

The formalization or modification of collaterals on paper will not be accepted as of November 12, 2021 (that is, after one year has elapsed since the previous Directive 2/2020 went into effect), except for those exceptional situations deemed as such per the market operator’s judgment. The agents will have a period of six additional months from the end of that period to replace the current physical collaterals with others formalized by electronic means.

This Directive replaces Directive 3/2020, dated November 12, 2020, which will be repealed when this Directive goes into effect.

This Directive will go into effect on October 14, 2021; market agents will be notified of its content, and it will be included on OMIE’s public website.