

FAQs – THE Market Maker

Current as at: June 2024

Question 1:

Is it the classic market-maker model where the provider is required to quote a bid/ask spread?

Answer 1:

No, it is a transaction-based model under which the provider is obliged to carry out buy and/or sell transactions, thereby increasing the trading liquidity in the THE futures and forwards market.

Question 2:

Do period spreads also count towards the number of transactions?

Answer 2:

Yes, however, only deals involving the products covered by the tender may be considered by the Market Maker (Month+2 and Quarter+2).

Example: As part of a period spread, the price difference between two delivery periods, e.g. Quarter+3 and Quarter+4, is traded, with the trader buying Quarter+3 and selling Quarter+4. The counterparty trades exactly the opposite. A price difference (for example 0.20 EUR/MWh) is agreed in the spread order book. Upon completion of the deal, "real" deals will be listed in the Quarter+3 and Quarter+4 order books.

Question 3:

How many bids may bidders submit for each Contract Period?

Answer 3:

THE will only consider one bid per bidder.

Question 4:

Can the Transactions also be entered into before or after the Contract Period (1 July 2024, 06:00 hours to 1 July 2025, 06:00 hours)?

Answer 4:

All contractually agreed Transactions must be entered into during the Contract Period. Delivery on an agreed Transaction may also take place after the contract period.

Question 5:

What product types must be used to carry out the Transactions?

Answer 5:

The transactions can be carried out in the product types Month+1; Month+2; Month+3; Month+4; Month+5; Month+6; Quarter+1; Quarter+2; Quarter+3; Quarter+4; Quarter+5; Quarter+6 from the perspective of the trading time.

- *Month+3*
 - *Example 1: On a trading day in September 2024, trading takes place for the month of December 2024 with delivery location THE VTP.*
 - *Example 2: On a trading day in October 2024, trading takes place for the month of January 2025 with delivery location THE VTP.*
- *Quarter+2*
 - *Example 1: On a trading day in the 3rd quarter of 2024, trading takes place for the 1st quarter of 2025 with the delivery location THE VTP.*
 - *Example 2: On a trading day in the 4th quarter of 2024, trading takes place for the 2nd quarter of 2025 with the delivery location THE VTP.*

Question 6:

How are the two product types weighted in the context of the bid submission process according to section 4.2 of the Market Maker Agreement?

Answer 6:

The bids received from the contractors are ranked according to the number of transactions, whereby a transaction of a quarterly product is counted as three transactions and a transaction of a monthly product as one transaction.

For example, if a Market Maker has offered a total of six Transactions, the Market Maker may perform the Agreement by:

- *executing two transactions of the quarterly product type or*
- *executing one transaction of the quarterly product type and three transactions of the monthly product type or*
- *executing six transactions of the monthly product type.*

Question 7:

The Market Maker has an obligation to provide proof to THE by submitting conclusive documentation evidencing each single Transaction on the Market Maker's own initiative. Which documents are accepted by THE and is there an alternative for the proof of each individual transaction?

Answer 7:

Meaningful documents include those provided to the contractor by the broker(s), exchange(s) or OTC trading platform(s). Alternatively, it is also possible to instruct the respective platform operators to transmit the transactions for the trades on the EEX

exchange and on the enmacc OTC trading platform. If the respective platform operators send us the data directly, an aggregated overview of the transactions per trading day and per product type is sufficient for us.

Question 8:

Is the remuneration forfeited completely if the required number of transactions is not reached?

Answer 8:

If the market maker does not achieve the number of transactions offered, he receives the pro rata payment of the basic fee and must also pay a penalty of 10% of the price, i.e. €10,000.

Question 9:

If the market maker has submitted the highest or second-highest bid, does the 10% penalty for non-performance apply to the sum of the basic fee and the bonus? Is the bonus then also paid out pro rata?

Answer 9:

If the market maker does not reach the specified number of transactions and has submitted the highest or second-highest bid, he will receive the pro rata payment of the basic fee, but the bonus will be forfeited completely and he must also pay a penalty of 10% of the basic fee, i.e. €10,000.