



Balancing Service Settlement Agreement Appendix 2

Collaterals
5.6.2025

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Appendix 2 Collaterals

This Appendix specifies the collaterals that the BSP shall provide to eSett as security for its obligations in the Balancing Service Settlement, and the procedures that shall be followed in the administration of these collaterals. Capitalized terms not defined in this Appendix shall have the same meaning as in the Main Agreement.

1 Collateral levels

1.1 The applicable collateral and country are defined in the following table.

	Denmark	Finland	Norway	Sweden
Collateral	Service not available	Standard formula applied only if BSP provides balancing services as independent aggregator	N/A	Service not available

2 Provision of collateral

- 2.1 The BSP shall provide collateral ("Collateral") to eSett as security against the risk ("Counterparty Risk") that the BSP is unable to fulfill its obligations towards eSett in the Balancing Service Settlement, such as the payment of outstanding and future Settlement Amounts, or any other obligations of the BSP in the Balancing Service Settlement.
- 2.2 The BSP shall provide the collateral in the form of cash ("Cash Collateral") or on-demand guarantee issued by a financial institution ("On-Demand Guarantee"), or a combination thereof.
- 2.3 Any Cash Collateral shall be held on a cash account ("Collateral Account") in a bank that fulfils eSett's requirements and is approved by eSett for use in the Balancing Service Settlement ("Settlement Bank"). Prior to the provision of Cash Collateral, the BSP shall pledge the Collateral Account to eSett and grant eSett unconditional and irrevocable disposal rights to the Collateral Account by signing a Pledged Cash Account Agreement, the terms of which shall be defined by eSett.
- 2.4 Any On-Demand Guarantee shall be unconditional, irrevocable and payable on first demand, and issued by a financial institution that fulfils eSett's requirements and is approved by eSett for use in the Balancing Service Settlement ("Guarantor"). The terms of the On-Demand Guarantee shall be defined by eSett. The On-Demand Guarantee shall be delivered to eSett for safekeeping.
- 2.5 Cash Collateral and On-Demand Guarantees provided by the BSP and meeting the requirements set out herein are collectively referred to as "Deposited Collateral".
- 2.6 Sufficient Deposited Collateral, as specified in this Appendix, shall be provided by the BSP for it to be entitled to act as a Balancing Service Provider.
- 2.7 If the Settlement Bank where the Cash Collateral is held or the Guarantor that has issued the On-Demand Guarantee no longer fulfils eSett's requirements, including but not limited to eSett's requirements on credit ratings, or if the Deposited Collateral becomes unenforceable for any reason, the BSP shall, when so demanded by eSett, without delay provide a new Collateral that meets the requirements set out herein.

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3 Use of collateral

- 3.1 eSett shall be entitled to use the Deposited Collateral in or towards payment of any outstanding obligation of the BSP under the Balancing Service Settlement Agreement that the BSP has not fulfilled in accordance with the settlement schedule defined in the NBS Handbook ("Overdue Obligation"). In addition, eSett shall be entitled to use the Deposited Collateral to recover any default interest on the Overdue Obligation together with all reasonable internal and external charges and expenses incurred by eSett to recover the Overdue Obligation.

4 Calculation of collateral requirement

- 4.1 eSett shall each Monday calculate the amounts of collateral that the BSP is required to provide ("Collateral Requirement") to cover the Counterparty Risk. eSett shall further monitor the Counterparty Risk during the week and recalculate the Collateral Requirement if the Counterparty Risk increases significantly during the week.
- 4.2 Under normal circumstances, the Collateral Requirement shall be calculated according to the following formula ("Standard Formula"):

$$\text{Collateral Requirement} = 3 * (R_1 + R_2) + X$$

Where:

R₁ = Average of the sums of invoiced regulation imbalance fees, including any VAT on these amounts that the BSP is liable to

R₂ = Average of the absolute amounts of the sums of invoiced regulation imbalances in a week for the last three invoiced weeks, including any VAT on these amounts that the BSP is liable to

X = 40 000 EUR

- 4.3 The Collateral Requirement shall be at least 40,000 EUR.
- 4.4 In particular situations when eSett judges that the Standard Formula does not appropriately reflect the Counterparty Risk, eSett may calculate the Collateral Requirement according to a different formula, which better reflects the Counterparty Risk prevailing in that particular situation ("Situation-Specific Formula"). Circumstances in which Situation-Specific Formulas may be applied include but are not limited to the following:
- a) Situations when the invoicing or payment of outstanding settlement amounts are delayed due to public holidays
 - b) Situations when there is an apparent risk that the invoicing or payment of outstanding settlement amounts may be delayed, for example due to labor disputes affecting banks or other institutions that are part of the settlement process
 - c) Situations when substantial changes have taken place or can be expected in the PX Market or Regulation Power Markets and the quoted prices in these markets are no longer considered representative of current or future price levels, in which case the Standard Formula is adjusted by replacing the average regulation market price from the last seven days with an estimated price that better reflects the current or expected price levels.
 - d) Situations when higher imbalance amounts and regulation prices can be expected because power exchanges operating the PX market in the NBS Countries have been unable to calculate the day-ahead results in a normal order
- 4.5 In particular situations when the Standard Formula is not applicable for a particular BSP or eSett judges that the Standard Formula does not appropriately reflect the Counterparty Risk of the BSP,

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eSett may calculate the Collateral Requirement for the BSP according to a different formula, which better reflects the Counterparty Risk prevailing in that particular situation ("BSP-Specific Formula"). Circumstances in which BSP-Specific Formulas may be applied include but are not limited to the following:

- a) The BSP is new, in which case eSett shall calculate a preliminary collateral requirement based on documentation of planned balance, expected volumes of trade and consumption, and credit rating, if any.
 - b) The BSP's portfolio has recently undergone substantial changes, for example as a result of a merger, acquisition or divestment
- 4.6 eSett shall inform the BSP as early as reasonably possible about the decision to use a Situation-Specific Formula or a BSP-Specific Formula for a certain period of time. eSett shall return to using the Standard Formula as soon as it deems that the Collateral Requirement provided by the Standard Formula again appropriately reflects the Counterparty Risk.

5 Communicating and responding to Collateral Requirements

- 5.1 eSett shall publish the Collateral Requirement to the BSP through the Online Service.
- 5.2 For the purpose of monitoring and administration of Cash Collateral, eSett shall be entitled to report the BSP's Collateral Requirement to any Settlement Bank where the BSP's Cash Collateral is held.
- 5.3 Under normal conditions, eSett shall publish the updated Collateral Requirements each Monday no later than 13 CET. If eSett recalculates the Collateral Requirement on another day in the week, eSett shall publish the recalculated Collateral Requirement by 13 CET on that day.
- 5.4 The BSP shall provide sufficient Deposited Collateral to meet the Collateral Requirement by 11 CET the day after the Collateral Requirement was published ("Collateral Deadline"). Any additional Cash Collateral shall be deemed to have been provided by the Collateral Deadline if it was credited to the Collateral Account by 11 CET the day after the Collateral Requirement was published. Any additional On-Demand Guarantee shall be deemed to have been provided by the Collateral Deadline if it was provided to eSett by 11 CET the day after the Collateral Requirement was published.

6 Collateral monitoring

- 6.1 eSett shall each day retrieve information from the Settlement Bank about the amount of Deposited Collateral and verify that the amount of Deposited Collateral meets or exceeds the Collateral Requirement ("Collateral Monitoring").
- 6.2 Failure by the BSP to meet the Collateral Requirement by the Collateral Deadline is considered a material breach of the Balancing Service Settlement Agreement.

7 Currency treatment

- 7.1 All Collateral Requirements shall be calculated and published in Euro ("EUR"). The Collateral of the BSP may be denominated in EUR, Danish Krone ("DKK"), Norwegian Krone ("NOK") or Swedish Krona ("SEK"). The value of any Cash Collateral or On-Demand Guarantee denominated in DKK, NOK or SEK shall for the purpose of Collateral Monitoring be converted to EUR using the latest available Euro foreign exchange reference rates from the European Central Bank.

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8 Release of collateral

- 8.1 If a Collateral Account holds a larger balance than what is necessary for the BSP to meet the Collateral Requirement and any other requirement on the balance of said account according to the Balancing Service Settlement Agreement and its Appendices, the BSP may request from eSett that the balance in excess of the aforementioned requirements ("Excess Balance") be released. Upon the receipt of a valid request to release Excess Balance, eSett shall instruct the Settlement Bank to make the Excess Balance available to the BSP.
- 8.2 If the Balancing Service Settlement Agreement is terminated, eSett shall be entitled to withhold the Deposited Collateral until the BSP has fulfilled all its obligations under the said agreement, and if necessary, to use the Deposited Collateral to cover any unsettled commitments that the BSP is unable to fulfill. Excess collateral, if any, shall be released to the BSP after the final economical settlement has been performed.