

Burak Guler, Turkish Task Force Chairman, [bguler@efet.org](mailto:bguler@efet.org)

**2014 JULY 10**  
**TBILISI**

---

# **So Far in Turkey**

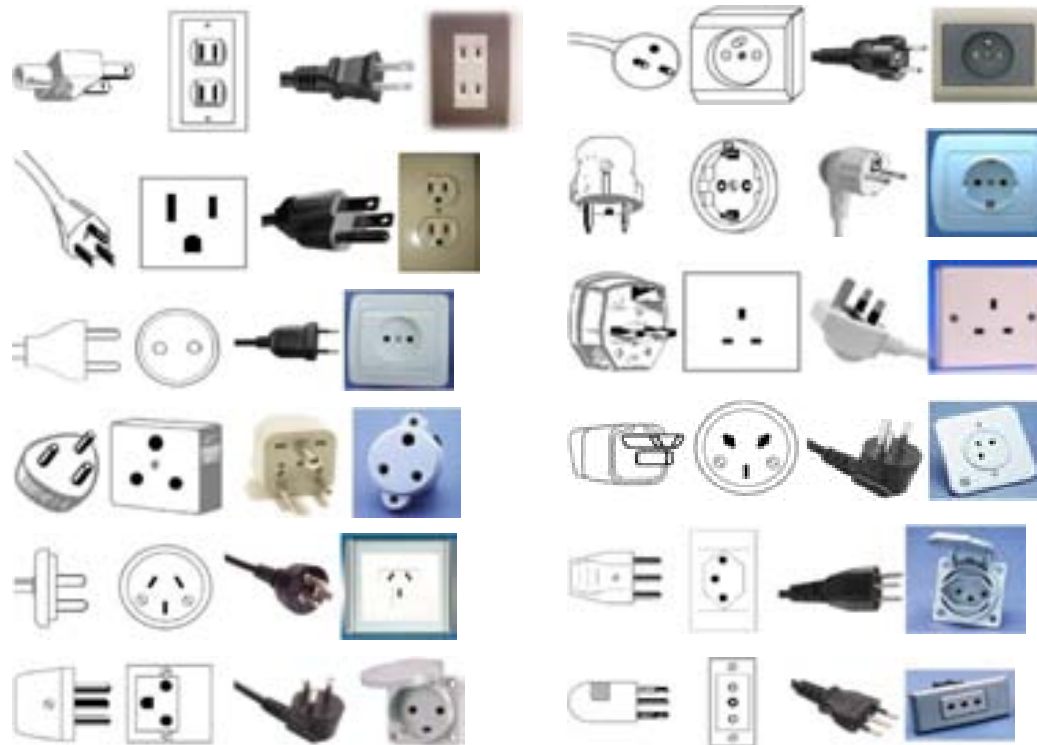
---

- **EFET – Turkish Market Coordination**
    - **Expectations and Main Deliverables: understanding the market, identifying EFET member companies with interest in Turkish market**
    - **Reinforcing continuous Dialogue and using EFET know-how**
    - **Turkish Task Force under EFET.**
  
  - **Turkish Market Overview Update**
    - **EFET Master Agreements**
    - **EÜAŞ Auction**
    - **Georgia**
    - **All Energy Turkey 2014 September**
  
  - **ETD – Energy Traders´ Assoc. of Turkey**
    - **Follow up from the Istanbul Trader´ s Event**
-

# Energy Trading = International Business



- Or how things can go wrong ...



# EFET General Agreement (Electricity)

## I. Introduction

---



### Advantages of Master Agreements

- ➔ contractual / legal framework
- ➔ simplification / standardisation
- ➔ meeting on an equal footing
- ➔ payment netting
- ➔ close-out netting
- ➔ credit risk management

Enables to focus on the trading business

# EFET General Agreement (Electricity)

## I. Introduction

---



### The EFET General Agreement


- ➔ developed by EFET in 2000 with the objective of:
- ➔ balanced position of the Parties, big or small, seller or buyer
- ➔ suitable for all local power trading markets
- ➔ shall cover the whole power trading business of the Parties
- ➔ shall fulfill all regulatory requirements to a standard document
- ➔ accepted and established as a “Standard” across Continental Europe

EFET facilitates the speedy negotiations

# EFET General Agreement (Electricity)

## II. Contractual Structure

---



**General Agreement**  
*(“main body”)*

› **Who can use it as a Party?**

traders, generators, suppliers, grid operators, customers, having access to the grid

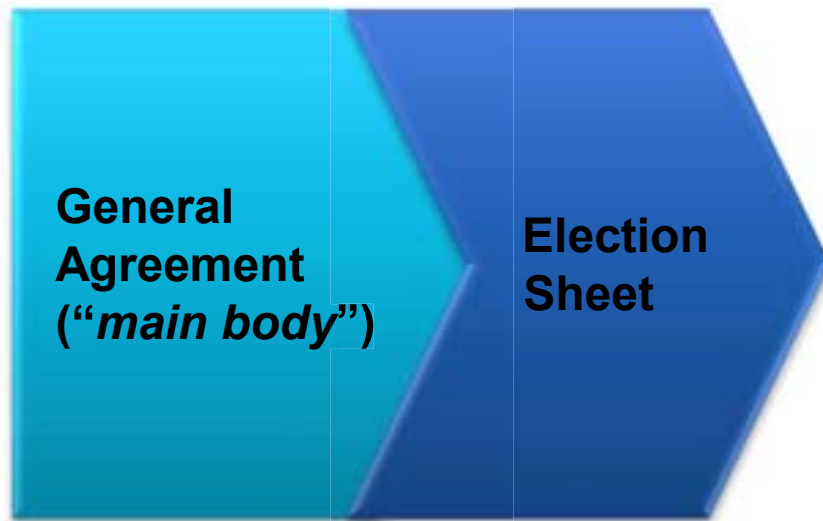
› **Products:**

standard **physical power products** (base/peak, intraday, spot, forward),  
non-standard physical power products or physical power **options** as well

# EFET General Agreement (Electricity)

## II. Contractual Structure

---

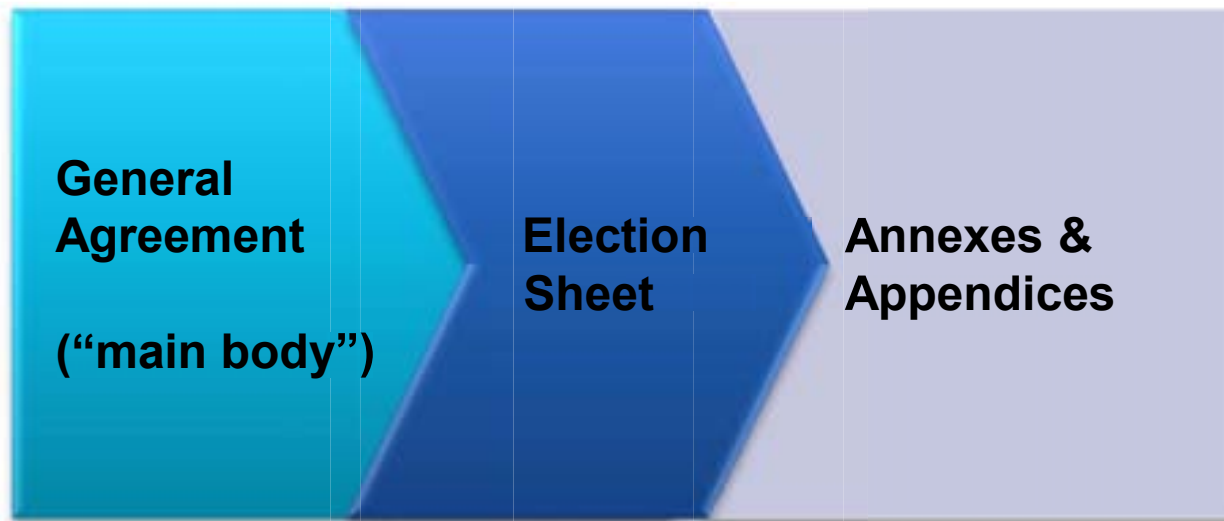


- › **Election Sheet** (contains the results of the negotiation between the Parties):
  - › Clauses marked („...*unless otherwise specified in the Election Sheet...*“) in the main body **have** to be customised.
  - › Any other clause **may** be customised.



# EFET General Agreement (Electricity)

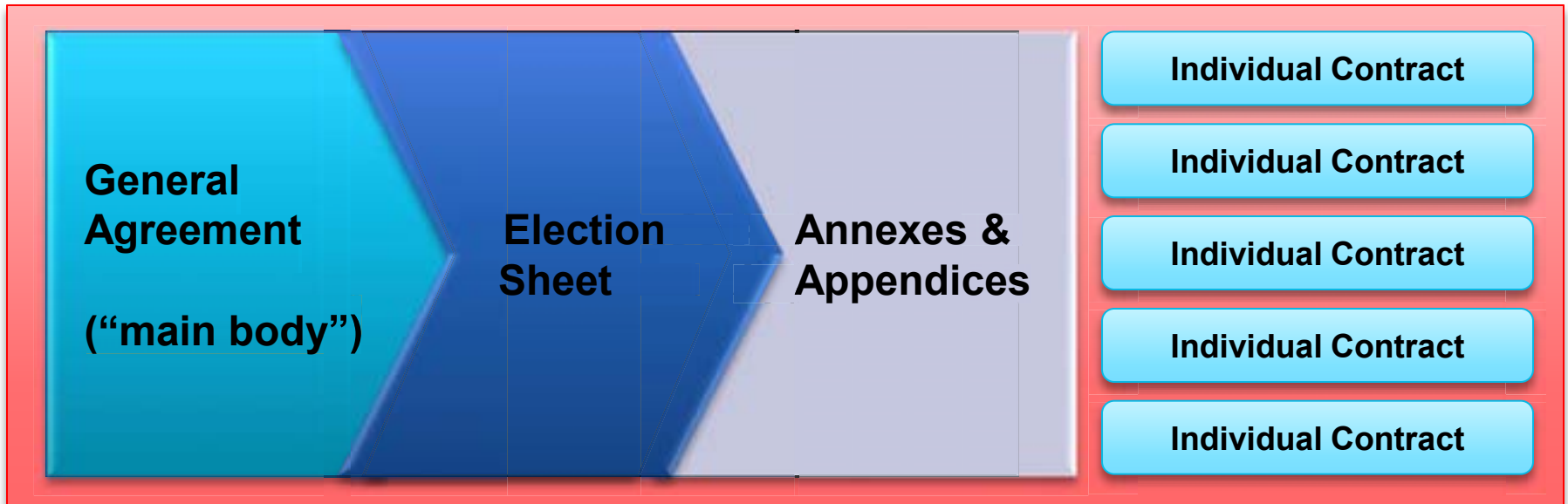
## II. Contractual Structure



- › **Annexes** (part of the General Agreement by default):  
Definitions, Confirmation templates
- › **Appendices** (optional, selection):  
Credit Support Annex (bilateral Margining),  
Allowances Appendix (Emissions Allowances)

# EFET General Agreement (Electricity)

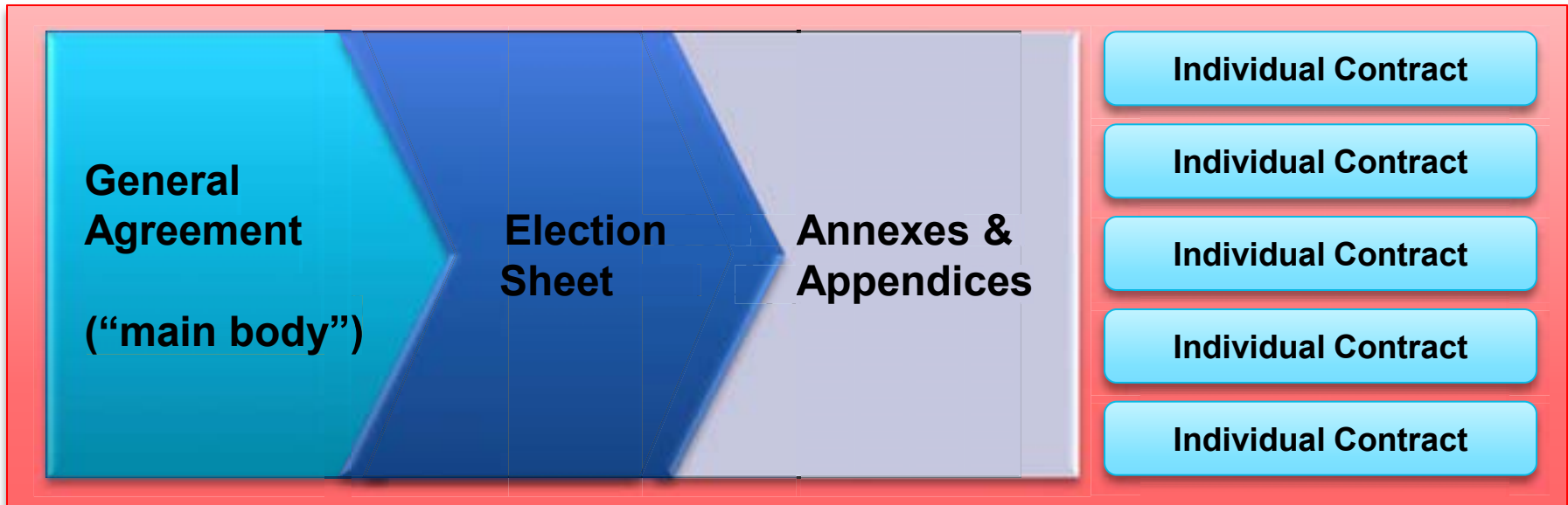
## II. Contractual Structure



***single agreement concept (§ 1)***

# EFET General Agreement (Electricity)

## II. Contractual Structure



# EFET General Agreement (Electricity)

## III. Essential provisions of the Agreement

---



# EFET General Agreement (Electricity)

## III. Essential provisions of the Agreement

---



### Managing Legal Risks

- Force Majeure § 7
  - ➔ „...an occurrence beyond the reasonable control of the Party...“
  - ➔ Parties should stipulate similar terms in every General Agreement to avoid back-to-back risks,  
e.g. regarding Long Term Force Majeure Limits
- Damages for Failure to Deliver or Accept § 8
- Limitation of Liability § 12

# EFET General Agreement (Electricity)

## III. Essential provisions of the Agreement

---



### Managing Legal Risks

- (Automatic) Early Termination § 10
  - ➔ a Material Reason (e.g. Payment Default, Insolvency) with regard to a Party has occurred and is continuing,
  - ➔ termination of ALL Individual Contracts,
  - ➔ Close-out-Netting
- Governing Law and Arbitration § 22

# EFET General Agreement (Electricity)

## III. Essential provisions of the Agreement



### Managing Operational Risks

- Primary Obligations / Scheduling § 4
- Exchange of Confirmations between the Parties (optional) § 3
- Invoicing and Payment § 13
  - ➔ each Party being a Seller in the previous month issues an invoice to the other Party at the beginning of the next month
  - ➔ standardised payment date  
(20th day of the calendar month following the delivery month)
  - ➔ as a condition precedent for:
  - ➔ payment netting (optional)

# EFET General Agreement (Electricity)

## III. Essential provisions of the Agreement



### Managing Credit Risks

- (initial) Credit Support (e.g. Bank Guarantee) § 16
- Performance Assurance § 17
  - ➔ creditworthiness of a Party becomes materially weaker
  - ➔ list of Material Adverse Change triggers, e.g. Rating
  - ➔ failure to deliver a Performance Assurance is a Material Reason for an Early Termination (§§ 10.3, 10.5(a))
- right to request Financial Statements from the other Party § 18



# EFET General Agreement (Electricity)

## III. Essential provisions of the Agreement



### Managing Credit Risks

- Suspension of Delivery § 9
  - ➔ a Party defaults on any payment that is due
  - ➔ the other Party may cease further deliveries  
three Business Days after sending a written notice
- Close-out Netting § 10
  - ➔ Calculation of the Termination Amount (§ 11)
  - ➔  $\sum$  (Gains – Losses – Costs) [per Individual Contract]  
+ outstanding claims
- Credit Support Annex / bilateral Margining (optional)

**Aim: Trading  
without  
borders**



# Thank you for your attention!

---



**European Federation of Energy Traders  
EU Liaison Office  
Rue Le Correge 93  
1000 Brussels**

**Tel: +31 (0)20 5207970**

**Email: [b.guler@efet.org](mailto:b.guler@efet.org)**

**[www.efet.org](http://www.efet.org)**

---