



# **”the EFET standard contracts”**

**+ other initiatives for Standardisation & Streamlining of business procedures in the European Energy Industry**

Flame, Amsterdam, 22nd March 2002

Jan van Aken

Secretary General of EFET

The European Federation of Energy Traders

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



# **Main topics presentation**

- **EFET: who & what**
- **The EFET 2.1 Electricity contract**
- **The EFET 1.1 Gas contract**
- **EASEE- Gas: who & what**
- **Conclusions**



# Who is member of EFET

- 50 top trading companies in Europe member (gas/electricity)
- 12 trading companies as Associate member
- Members from 15 European countries



**AEP**  
ENERGY SERVICES

**APT** Austrian Power Trading

**EFET**

**BG Group**

**Bewag**

**EDISON**  
MONTEDISON GROUP

**BKW FMBB**

**AKEL**

**AQUILA**  
A UBI Corp. United Company

**AXIA**  
ENERGY

**Avenis**

**El Paso**

**CARGILL**

**centrica**  
taking care of the essentials

**Dalkia**

**EDF Trading**

**IEGIL**

**Elsam**

**EPSC**

**DYNEGY**

**Endesa**

**ENECO**

**ELECTRABEL**

**EnBW**  
Die Energie AG.

**e.on** Trading

**Eni**  
Eni Power

**-essent** ENERGIE

**e&t**

**Fortum**

**GEW**

**GRUPO**  
HIDROCANTABRICO

**HOWARD**  
Howard Energy Co., Inc.

**HYDRO**

**IBERDROLA**

**Innogy**

**Morgan Stanley Dean Witter**

**MIRANT**

**MVV** Energiehandel GmbH

**nordicpowerhouse**

**NUON**

**POWERGEN**

**REMU**

**RWE**  
Trading

**Reliant**  
Energy™

**Société Générale**

**Sempra**  
Energy Europe Limited

**sydkraft**

**Statkraft**

**TIWAG**

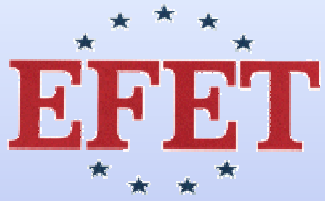
**TOTAL FINA ELF**

**Trianel** Energie

**TXU**

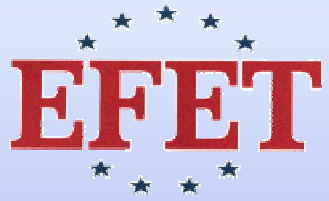
**UNION FENOSA**

**VATTENFALL**



# Members

- **AEP - APT - Aquila - Atel - Avenis - Barclays - Bewag-  
BG International - BKW FMB - Cargill - Centrica -  
Dalkia - Delta - Duke - Dynegy - EDFT - Edison - EGL -  
Electrabel- El Paso - Elsam - Elyo - ENBW- Endesa  
Energy - Enel - Eneco - Enipower - Entergy-Koch -  
E.ON - Essent - E&T- EPSC - Fortum - Gaselys - GEW -  
Nordic Powerhouse - Hidroelectrica del Cantabrico -  
Iberdrola - Innogy - Mirant - Morgan Stanley - MVV  
Energie - Norsk Hydro - Nuon - ONS Energy Services -  
PowerGen - RAO UES - Reliant - Remu - RWE Energy  
Trading - Sempra - Statkraft - Sydkraft - Tiwag -  
TotalFinaElf - Trianel - TXU - Union Fenosa - Vattenfall  
- Williams Energy.**



# Members





# **EFET - its objectives**

- **To promote energy trading in Europe  
( to increase market efficiency)**
- **Analyse barriers & obstacles for trade**
- **Lobby for removal of obstacles & barriers**
- **Promote standardisation**



# Standardisation & streamlining

## EFET

**initiates, co-ordinates or stimulates:**

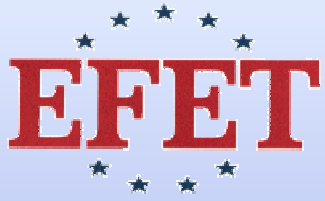
- **Standard Electricity contract EFET 2.1**
- **Standard Gas Master Agreement 1.1**
- **Credit Annex**
- **IT (Electronic Matching Deal Confirm.)**
- **promoting VAT harmonisation**
- **Promoting RECS**
- **Promoting EASEE-gas**





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# **EFET's Long term vision on Master Agreements**

- **To have:**
  - 1
  - European
  - Multi-Energy:
    - Electricity, Gas and Coal
  - Master Agreement



# **Benefits of Master Agreements**

- **Standardisation of procedures**
  - more efficient; less mistakes
- **Umbrella credit provisions**
  - less credit necessary (netting)
  - less risk
- **Close-out netting**
  - less risk
- **Big Savings on legal costs**



# **General Structure of a Master Agreement**

- **Components**
  - **General Agreement**
  - **Election Sheet (check list)**
  - **Annexes**
  - **Pro forma Confirmations**



# **EFET Electricity Master Agreement**

**(version 2.1)**

- **Designed for Physical Trading**
  - physical delivery as settlement
- **Download from internet@<[www.efet.org](http://www.efet.org)>**
  - free of charge
- **Negotiation-Friendly Format**
  - Standard Optional Provisions in General Agreement
  - Election Sheet with “Check The Box” customization
  - Similar Structure to Principle Trading Agreements used in other Markets and for Other Commodities and Commodity Derivatives ( ISDA, GTMA, EEI, etc)



# **EFET Electricity Master Agreement**

**(version 2.1)**

- **Addresses European Cross-Border issues:**
  - **Multi-jurisdictional Trading**
    - **Country specific Annexes to address specific local law requirements**
  - **Collateral and Security Issues**
    - **Credit Support Annex**
  - **Multi-jurisdictional “Close Out Netting”**
    - **legal opinions for 9 countries by local counsel on behalf of EFET membership**



# Legal Opinons available

<u>Country</u>	<u>Normal price</u>	<u>price EFET members</u>	<u>Law Firm</u>
● -	Euro	Euro	
● -	15.000-25.000		
● Austria		- 1687	Weiss-Tessbach
● Belgium		- 1801	A&O
● France		- 2025	Freshfields
● Germany		- 1272	Clifford Chance
● Italy		- 1965	Clifford Chance
● Netherlands		- 1608	A&O
● Spain		- 1965	Clifford Chance
● Switzerland		- 1806	Lenz&Staehein
● UK		- 2025	Freshfields



# **EFET Electricity Master Agreement (version 2.1)**

- **Recognised as THE European “Standard” Contract**
  - 75+% of OTC- Electricity Trading on Continent under EFET 2.1
- **Neutral basis to start negotiations**
- **Many translations for better understanding**
- **EFET approved German translation**
- **Civic law & common law lawyers can feel comfortable**
- **Fast growing pool of legal experience**
- **Convergence of opinions among lawyers**
  - often lawyers do not agree when they not fully understand particular issue





# Main topics presentation

- EFET: who & what
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- **The EFET 1.1 Gas contract**
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# Structure of EFET Gas Master Agreement

- **Components**
  - **General Agreement**
  - **Election Sheet (check list)**
  - **Annexes (Credit Support; Hub specific terms)**
  - **Pro forma Confirmations**



# **EFET Gas**

## **Master Agreement**

**(version 1.1)**

- **Specifically developed for physical gas trading in Continental European Gas markets**
- **A truly “Pan-European” Contract**



# EFET Gas Master

## How has it been created ?

- A truly “Pan-European” Contract
  - Drafting committee comprised of both Civil Law and Common Law lawyers from 4 different countries + 2 outside lawfirms
  - Drafts were circulated to members and potential members
  - all 21 companies (7 countries) that made (high level) comments were invited for meeting to finalise document



# **EFET Gas**

## **Master Agreement**

**(version 1.1)**

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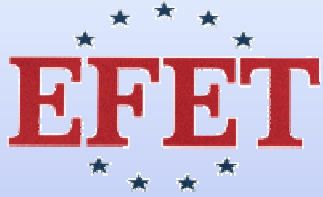
# **EFET Gas**

## **Master Agreement**

**(version 1.1)**

### **● Gas Trading Mechanics**

- Scheduling obligations**
- Hub and Flange Trading**
- Contract Quantity and Delivery Quantity**
- Remedies for breach of delivery or acceptance obligations**
- Force Majeure**



# **EFET Gas**

## **Master Agreement**

**(version 1.1)**

- “European” contract creates more trading relations
- neutral basis to start negotiations
- modular approach gives flexibility
- EFET contract strong on credit & netting
- growing legal experience
- big potential for standardisation procedures
- better risk control



# **EFET Gas**

## **Master Agreement**

**(version 1.1)**

- **Outsite law firms that assisted:**

- Lovells

Richard Tyler

- TroutmanSanders

John Varholy





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- EFET: who & what
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# **EASEE-gas:** European Association for the

## Streamlining of Energy Exchange- Gas

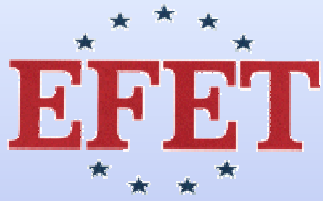
- **New organisation set up by:**

- **Edig@s; EFET; Eurogas; Eurelectric; GTE; Geode; OGP + others. In future only for and by companies from the gas industry.**
- **Founding companies: Distrigas; Gasunie; GDF; Statoil; Ruhrgas & Centrica**
- **Objective: To develop and promote common practices to simplify and streamline business processes that will lead to an efficient and effective European gas Market**
- **Membership fee is: Euro 1500 per year per segment**



# **EASEE-gas:** European Association for the Streamlining of Energy Exchange- Gas

- **8 segments represented:**
  - **Producers**
  - **Traders & Shippers**
  - **Transporters**
  - **Distribution Network operators**
  - **Suppliers (industrial)**
  - **Retail Suppliers &**
  - **Service Providers**



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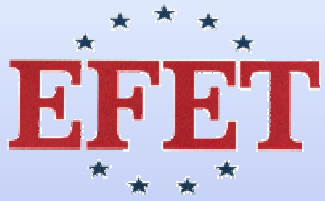
# **EASEE-gas**

- **New initiatives; Working Groups on:**
  - **Business Rules & Scenario's, e.g. OBA's**
  - **Harmonisation of Units of Measurements**
  - **Co-ordination development ebXML**
  - **Real time data exchange**
  - **Message standardisation & validation**
  - **IT Communication Network**



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# Conclusions

- **Standardisation & Harmonisation & Streamlining is hot topic currently:**
- **Standardisation & Harmonisation & Streamlining can and will create big efficiency improvements in the European Energy industry.**
- **Timing is right. It is now that the industry must allocate money and good people. It is a good investment**
- **Join Working Groups**
- **join EASEE-gas:      [secretariat@easee-gas.org](mailto:secretariat@easee-gas.org)  
[www.easee-gas.org](http://www.easee-gas.org)**



**Thank you for your attention**

**secretariat @ efet.org**