

## Turkey Introduces Mechanisms for Calculating Collateral Required From Electricity Wholesale Market Participants

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Turkey's Energy Market Regulatory Authority ("**Authority**") has introduced new procedures and principles for calculating collateral amounts for wholesale market participants ("**Procedures and Principles**"). Electricity market participants can offer collateral in cash or via certain specified assets. Such collateral is intended to cover situations where market participants fail to meet their obligations, mitigate the Market Operator's risks, as well as secure other market participants.

The new Procedures and Principles outline Enerji Piyasalar? ??letme A.?.', responsibilities as the authorized Market Operator (Article 5). They also describe detailed circumstances where the Market Operator can increase the collateral value (Article 6), as well as secured transaction processes (Article 7).

The Procedures and Principles list certain assets which are accepted as collateral, along with value calculation methods (Article 8):

- The Market Operator should determine the minimum cash collateral ratio for market participants regarding day-ahead balancing and the intraday market. The Market Operator should publish the ratio at least one month prior to its effective date.
- Rather than cash, Market participants can also provide collateral via one or more assets, provided these assets are listed in the Procedures and Principles.
- Asset collateral and guarantee letters in foreign currency are subject to a valuation coefficient. The Market Operator determines the coefficient, at the suggestion of the central reconciliation bank, in accordance with coefficients applied in similar markets. The Market Operator announces the coefficient to market participants through the Market Management System ("**MMS**").
- Market participants bear all collateral-related expenses.

The Market Operator should determine the initial collateral margin via the Margin Calculation Procedure and publish this through the MMS at least one month before its effective date (Article 9).

In principle, for the Market Operator to accept offers by market participants regarding day-ahead balancing and/or the intraday market:

- The value of cash collateral presented should be greater than or equal to the minimum collateral, and
- The collateral level should be greater than or equal to the total collateral value presented.
- The Procedures and Principles outline general principles for collateral control (Article 11):
- The collateral value which market participants should provide for day-ahead balancing and intraday market activities, as well as the initial margin value to be provided, should be borne by the relevant market participant.
- The collateral value provided for reconciliation of instability should be borne by the party liable for the relevant stability.
- If it is determined the total collateral provided by a market participant does not cover the total risk, the Market Operator can request the participant present an increased collateral value in line with the Margin Calculation Procedure.

The Procedures and Principles were published in Official Gazette number 29725 on 28 May 2016, entering into effect on 1 June 2016. The Procedures and Principles were adopted by the Energy Market Regulatory Board decision

dated 13 May 2016. Please see this [link](#) for the full text of the Procedures and Principles (only available in Turkish).

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