



<b><u>Term</u></b>	<b><u>Description</u></b>
<b>API#2</b>	A pricing index for coal delivered to Europe.
<b>API#4</b>	A pricing index for coal sold from South Africa.
<b>ARA</b>	Amsterdam, Rotterdam and Antwerp – the European coal pricing hub.
<b>Backwardation</b>	A market situation in which futures prices are progressively lower in more distant delivery periods; the opposite of contango
<b>Baseload</b>	Electricity produced or supplied at a constant rate over a certain period.
<b>Basis Risk</b>	The differential between the future value of a given commodity and the spot price of the underlying asset at a point in time due to location, delivery method or time i.e. the risk that a particular contract will not track the market forward curve due to specific non-standard terms and conditions
<b>Bid</b>	An indication of willingness to buy a specific quantity of a commodity at a stated price, the opposite of Offer.
<b>Breach Notification levels</b>	High to ERM, Medium to ORM, Low to Managing Directors
<b>Cash Deposit Deed</b>	Cash collateral posted by the DTI to EDF Energy in response to EDF Energy's request, following changes in forecast exposure to British Energy
<b>CIF</b>	Cost, Insurance and Freight – the price of coal delivered to the port, taking into account the cost of the fuel, insurance and freight.
<b>CNA</b>	Cross Netting Agreement – provides for the contractual offsetting of exposures across different commodities, together with enhanced credit protection
<b>Coal Financial Contracts</b>	Financial deals with no associated physical cover.
<b>Coal Fixed Price Contracts</b>	Fixed price physical deals and index price physical deals with associated financial cover
<b>Contango</b>	A market situation in which prices in succeeding delivery periods are progressively higher than in the nearest delivery period; the opposite of backwardation.
<b>Contract Cover</b>	Electricity, Gas or Coal contracts with external counterparties.
<b>Correlation</b>	A measure of the degree to which changes in two variables are related. Correlation ranges between +1 (perfect correlation – the same amount of movement in the same direction) and -1 (perfect negative correlation – the same amount of movement in opposite directions)

<b>Credit Exposure</b>	The combination of the replacement cost of a portfolio of contracts held with a counterparty (measured against current market prices) and the accrued settlements owed/owing in respect of recent commodity deliveries
<b>Credit Limit</b>	The maximum exposure that can be permitted with a counterparty by reference to Potential Exposure
<b>Credit VaR</b>	Credit Value-at-Risk is a measure of potential counterparty default risk. Defined as a maximum potential loss at 95% probability over a 3 month period
<b>Currency (FX) Risk</b>	Exposure to adverse movements on foreign exchange rates against the sterling resulting from fuel procurement and IPP contract indexations.
<b>Dark Spread</b>	The price of NBP electricity less the cost of coal (converted into a price per MWh) taking into account a pre-defined efficiency rate (38%).
<b>ECRC</b>	Energy Counterparty Review Committee – committee chaired by the CFO responsible for reviewing and approving the financial credit limits of counterparties.
<b>ERMC</b>	Energy Risk Management Committee –committee chaired by the CEO responsible for formulating and agreeing the energy trading risk management strategy.
<b>FOB</b>	Free On Board – the price of coal purchased at the loading port.
<b>GTMA</b>	Grid Trading Master Agreement – a standardised agreement for trading UK power at the National Balancing Point.
<b>International Coal delivered price</b>	The API#2 index price converted into sterling according to the £/US\$ forward rate plus all associated transportation costs from ARA to the coal power stations.
<b>IPPs</b>	Independent Power Producers Teesside, Medway and Barking generation using LTI or contracted market gas
<b>ISDA</b>	International Swaps & Derivatives - master agreement for trading energy derivatives. EDF Energy trades financial coal under ISDA terms
<b>Liquidity Risk</b>	The inability to close out positions at 'fair market value' due to insufficient market depth i.e. the risk of having to go the market in distress
<b>Load Shape 44</b>	Benchmark power loadshape contract, comprising 5 MW of baseload power and an additional 5 MW of peak power.
<b>LOC</b>	Letter of Credit – document issued by a bank guaranteeing the payment of a counterparty's drafts up to stated amount for a specified period.
<b>Long</b>	(a) A position is long when the net position in the futures market shows an excess of open purchases over open sales; (b) One who has bought a futures contract to establish a market position; (c) A market position which obliges the holder to take delivery.
<b>Market Risk</b>	The risk that value will be lost due to a change in market

prices

<b>Mark-to-Market</b>	To calculate the value of a financial instrument at current market prices
<b>Minimum Risk Demand</b>	Total Demand 'discounted' by ERM approved percentages to represent Energy Branch market risk exposure.
<b>MsT</b>	Energy unit for coal representing million standard tonnes. Energy conversion factor, 1 sT = 24 GJ (gigajoule).
<b>Net Open Position (NOP)</b>	The difference between committed supply and demand aggregated over a particular period including the volume of all fixed price contracts and asset forecasts
<b>NISM</b>	Notice of Insufficient System Margin – issued by National Grid Transco.
<b>NMC</b>	Neta Message Centre. A component module of Zai*Net which acts as the file distribution system and interface between EDF Energy and Central Systems
<b>Offer</b>	An indication of willingness to sell at a given price, the opposite of bid.
<b>OffPeaks</b>	Refers to electricity generation or supply at a constant rate from 7pm to 7am, Monday to Friday and at all times Saturday and Sunday.
<b>Operational Risk</b>	The risk that internal procedures, policies and systems are not adequate to prevent a loss being occurred, either because of market conditions or operational difficulties
<b>ORMC</b>	Operational Risk Management Committee – committee chaired by the COO-Energy Branch responsible for the enactment of the ERM approved strategies as well as responsibility for the ongoing risk management and oversight of energy market risk.
<b>Overnights</b>	Refers to electricity generation or supply at a constant rate from 11pm to 7am
<b>P&amp;L Review Limits</b>	A measure of actual risk calculated as adverse changes in mark-to market value over a given period
<b>Peaks</b>	Refers to electricity generation or supply at a constant rate from 7am to 7pm, Monday to Friday.
<b>Retail Gas Contract Cover</b>	Includes gas contracts to cover Retail Demand (Domestic and I&C) and Storage requirements.
<b>Retail Gas Total Demand</b>	Includes demand for Domestic (NDM) and Industrial and Commercial (I&C) customers
<b>Risk Limits</b>	A set of limits to control market risk for each commodity, comprising P&L, VaR and Volumetric limits
<b>RTMA</b>	ROC Trading Master Agreement – a standardised agreement on trading terms for ROCs
<b>Short</b>	A position is short when the net position in the futures market shows an excess of open sales over open purchases; (b) One

who has sold a futures contract to establish a market position;  
(c) A market position which obliges the holder to deliver.

**Spark Spread**

The price of NBP electricity less the cost of gas (converted into a price per MWh) taking into account a pre-defined efficiency rate (49.13%)

**Stock**

Monthly drawdown of coal storage (excluding reserve stocks of 600 Kt).

**Structural Generation Cover**

Consisting of Cottam, West Burton and Sutton Bridge forecast generation all 'discounted' with the approved structural percentages. Note: Where net contract cover is negative, Generation Cover equals committed generation plus contract cover

**Transaction Limits**

Transaction limits apply to both individual trade values and the cumulative daily total of all trades. Transaction limits are specific to individual traders and are applicable for different commodity markets

**VaR Limits**

Value-at-Risk is a measure of potential market risk. Defined as a maximum potential loss at 99% probability over a 14-day period

**Volatility**

A measure of the variability of a market factor, most often the price of a commodity contract

**Volumetric Limits**

A measure of potential market risk, calculated as the net market exposure by volume over a given period