

Technical Rule no. 21 MGAS

(pursuant to Article 4 of the Natural Gas Regulations, approved by decree of 6 March 2013 by the Ministry of Economic Development, as subsequently amended and supplemented)

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| Title | Error Management |
| Regulatory references | Article 61bis, paragraphs 61bis.2, 61bis.3, 61bis.4 and 61bis.5 |

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1. INTRODUCTION

Article 61bis, paragraph 61bis.2, of the MGAS Regulation provides that the market participant who aims to request the cancellation of the transactions concluded in the continuous trading sessions of MGP-GAS and MI-GAS following an error committed when entering the offer must submit the related request to GME according to the methods and terms defined in the Technical Rules.

Article 61bis, paragraph 61bis.3 of the MGAS Regulation provides that GME, having received the cancellation request, verifies its admissibility on the basis of the criteria defined in the Technical Rules.

Article 61bis, paragraph 61bis.4 of the MGAS Regulation provides that, if the checks carried out have a positive outcome, GME shall cancel the transactions, notifying both the requesting market participant and the interested counterparties, according to the methods and terms defined in the same Technical Rule.

Article 61bis, paragraph 61bis.5 of the MGAS Regulation provides that GME notifies the successful cancellation of the transactions also to the other MGAS market participants, according to the methods and terms defined in the same Technical Rule.

2. SUBMISSION OF THE REQUEST FOR TRANSACTION CANCELLATION - VALIDITY CHECKS

The cancellation request can be submitted by the market participant only with reference to the transactions concluded during the continuous trading sessions of MGP-GAS and MI-GAS.

Each cancellation request can be considered successfully submitted if it is sent by the requesting market participant, through the specific functionality made available in the reserved access section of the market information system (SIMGAS), no later than 10 minutes from the successful conclusion of the transactions for which cancellation is requested. In order to define the time of receipt of a cancellation request, it must be considered the time present on the SIMGAS computer system. The request for trade cancellation cannot be made from the 20th minute before the closing of the trading session. Thus, requests made after this deadline will be rejected by SIMGAS¹.

¹ This rule is only guaranteed in case the market session is ended according to the ordinary timetable.

With the same cancellation request, the market participant can select one or more transactions, for which the cancellation procedure is requested, which were concluded by mistake after the submission of a single trading offer.

If the request is successfully submitted, GME proceeds with the subsequent admissibility checks, as mentioned in the following paragraph 3.

If, on the other hand, the request is not successfully submitted, GME rejects the request, indicating the reasons to the requesting market participant, by making the appropriate report available in the reserved access section of the SIMGAS.

3. ADMISSIBILITY CHECKS OF THE CANCELLATION REQUEST – OUTCOMES OF THE REQUEST

A successfully submitted cancellation request is submitted by GME to the admissibility checks mentioned in the following points 3.1, 3.2 and 3.3.

If the admissibility checks give a positive outcome, GME automatically proceeds with the cancellation of the transactions for which the related request has been submitted, without acquiring any confirmation of the corresponding counterparties matched with the requesting market participant with reference to the cancelled transactions. GME provides the information related to the cancellation results to the requesting market participant as well as to the counterparty market participant by making the related information available in the "message list" and "daily activity" sections of SIMGAS, dedicated to these market participants.

If, on the other hand, the admissibility checks give a negative result, GME rejects the request, indicating the reasons to the requesting market participant, by making the related information available in the "message list" section of SIMGAS.

3.1. Reference price

In order to verify the admissibility of a cancellation request, GME defines, for each product and for each given trading session of MGP-GAS and MI-GAS, a Reference Price, P_{rif} , equal to the arithmetic mean of the prices (P_i) of the 5 (*five*) transactions concluded within the 10th minute preceding the conclusion of the transaction object of the cancellation request:

$$P_{rif} = \frac{1}{5} \sum_{i=1}^5 P_i$$

Transactions that have already been cancelled are excluded from this calculation.

In case of absence of transactions concluded in the given session on the product, P_{rif} is equal to the control price (P_{contr}) of the product and, until the conclusion of the first 5 (five) transactions not affected by cancellation, P_{rif} is calculated as the arithmetic mean of the P_{contr} and the prices of the T transactions (with $T < 5$) that are progressively realized in the session based on the following formula:

$$P_{rif} = \frac{1}{T + 1} \left(P_{contr} + \sum_{i=1}^T P_i \right)$$

3.2. Price range

GME defines a range with respect to the P_{rif} (Price Range, R_{TC}) large enough to suggest that negotiations not included within this range were induced by an obvious material error. The R_{TC} percentage value is fixed at 30%.

3.3. Assessment metrics

The cancellation request is positively accepted if the price P_i of transaction in question is outside the R_{TC} interval centred on P_{rif} and delimited by P_{min} and P_{max} values, defined on the basis of a percentage threshold $R_{TC}\%$ as follows:

$$P_{max} = P_{rif} \times (1 + R_{TC}\%)$$

$$P_{min} = P_{rif} \times (1 - R_{TC}\%)$$

Therefore, if the following assessment metric is met:

$$P_i < P_{min} \text{ or } P_i > P_{max}$$

the transaction is cancelled.

4. COMMUNICATION OF SUCCESSFUL TRANSACTION CANCELLATION TO THE MGAS MARKET PARTICIPANTS

GME notifies the successful transaction cancellation concluded in the continuous trading sessions of the MGP-GAS and MI-GAS, in the "trading list" section of the SIMGAS.