Italian Gas Market FAQs

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Contents

- This document provides you with an overview about the organization and management of the **Gas Market (MGAS)** in Italy and a list of frequently asked questions on how it works and how to access it.

- Contact us if you do not find the answer to your questions.

MGAS in a Nutshell

Design

GME organizes and manages the natural-gas market (MGAS), **pursuant to Article 30 of Law No. 99 of July 23, 2009**, also compliant with **EU Regulation 312/2014**.

In the MGAS, parties authorized to carry out transactions at the "**Punto Virtuale di Scambio**" (PSV - Virtual Trading Point) may make spot purchases and sales, also functional to balancing the gas system, and forward purchases and sales of volumes of natural gas.

In the MGAS, GME plays the role of **central counterparty** (*)to the transactions concluded by market participants.

Market segments

SPOT MARKET

- **MGP-GAS:** Day –ahead gas market where title products are exchanged
- **MI-GAS:** Intraday gas market where title products are exchanged
- **AGS:** auction organized in the context of MI and MGP
- **MGS:** Storage gas market -> Regulated market for trading gas of stored gas
- **MPL**: Locational products market

For each gas day, GME quotes the **Italian gas index (IGI)**

FORWARD GAS MARKET

MVS: Market for the Management of Voluntary Solidarity Measures

Natural Gas Market Rules

(*) The GME is the counterparty of operators in the spot gas market and in the forward gas market with delivery and withdrawal obligations at the PSV.
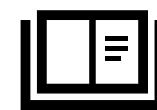
1. **Can you explain the functioning of the Gas Market in the context of the EU Regulation 312/2014?** Eu Regulation 312/2014 aims to create a system that **puts all available flexible resources** (LNG storage, import, or regasification) **in competition** throughout the day, empowering individual users to balance their positions, so that the network, as a whole, is also balanced. In particular, pursuant to Regulation 312/2014, users are responsible for balancing their inputs with their withdrawals in accordance with balancing rules aimed at promoting a short-term wholesale gas market, which is necessary to facilitate gas exchanges between network users and the network balancing manager (TSO). The TSO must also provide users with real-time information on the state of the network so that **the users efficiently balance the system**, limiting, market buying and selling actions to what is strictly necessary to provide "price signals" on MI-GAS.

Each network user has its own balancing equation valid for each gas day:

Injections − Withdrawals ± PSV Transactions = Unbalance
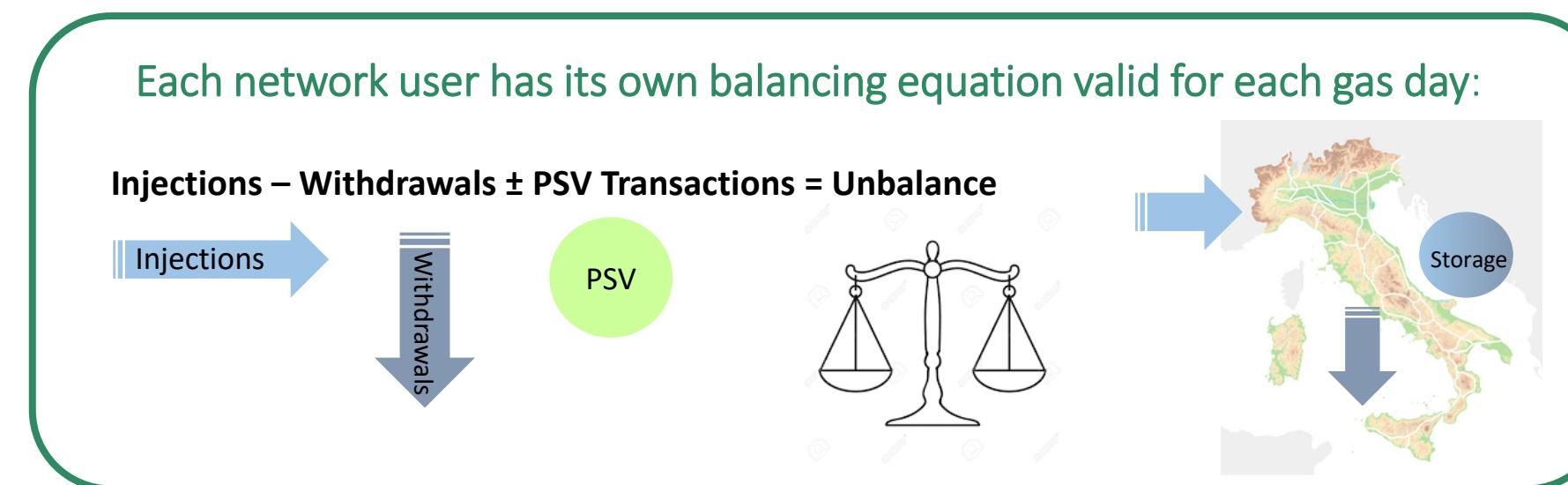
2. **How will the volumes traded in M-GAS be registered at PSV?** Market participants (MPs) can buy and sell quantities of natural gas on MI-GAS and MGP-GAS which are functional to balance their positions at the Virtual Trading Point (PSV). On M-GAS, GME plays the role of central counterparty and for each gas day, thus, hourly, **GME registers to PSV the net position of the MPs**, starting from the opening of the first MGP session till the closing of the MI session.

3. **How is the gas day defined? When can I trade it in the Spot Market?** The gas day G starts at 6 a.m. of day G and ends at 6 am of day G+1. Trading session at GME starts at 6 am of day G and ends at 2:30 am of day G+1. In the Spot Market you can trade

   ❑ on **MGP-GAS**: (i) the daily products starting referring to G+1, G+2, G+3 and G+i (with i>3) in case of festive days consecutive to the week-end, (ii) the week-end WE product (Saturday and Sunday, plus festive days consecutive to the Saturday and Sunday) and (iii) the Working Day Next Week (WD) product, consisting of all working days, according to the MGAS reference calendar, from Monday to Friday of the week following the week in which the contract is traded;

   ❑ on **MI-GAS**: the daily product G.
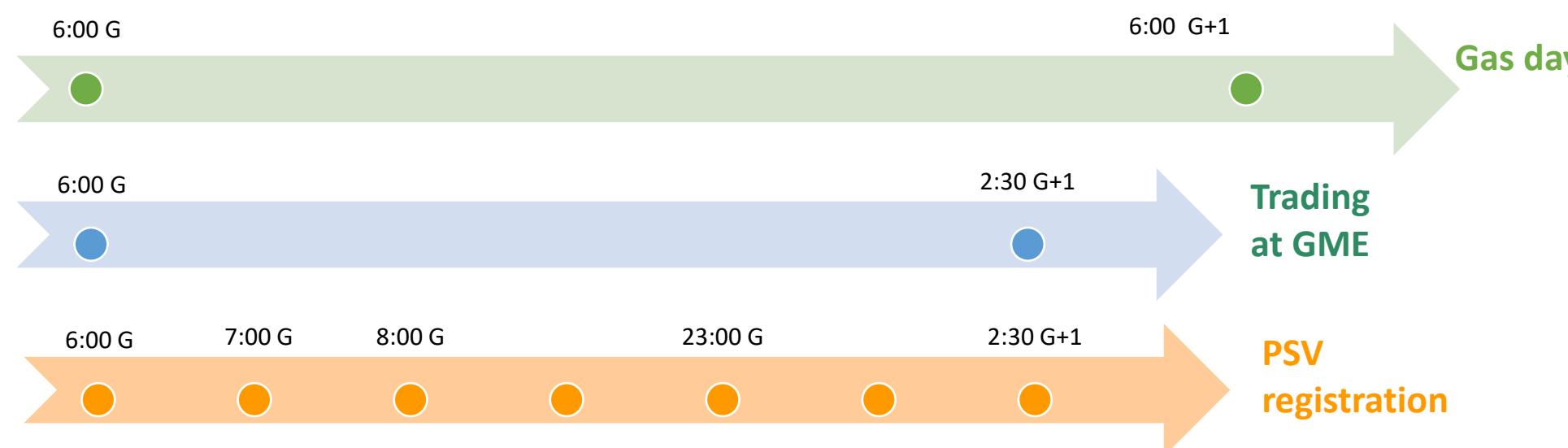
4. **Is there any index representative of PSV transaction calculated by GME?** Yes, there is. The **"IG Index GME"** **(IGI)** is the reference index of the Italian Natural Gas Market. It is calculated by GME - at the end of the trading sessions - for each gas day as the arithmetic average of the prices of trades concluded in the 17:15–17:30 time band (including endpoints) in the continuous-trading MGP-GAS and in respect of Day-Ahead and WE products. It is published by GME every day in the **Publications** section of its webpage. For technical documents please refer to the **Library** and for **Calculation method of the Italian Gas Index IGI**.

5. **I am interested in the Italian gas market. Is there any material available on GME's website?** Yes, there is. You can find an introduction to the Market structure in the **Gas Markets** section of GME's webpage, for more information you can browse through the **Gas Market Access** (M-GAS) section and consult all relevant information regarding the rules, how to participate, how to operate, fees, invoicing/settlement and guarantee system.

6. **My company is interested in trading gas in Italy. Which are the requirements to trade on M-GAS?** The marketplace for trading gas in Italy is the M-GAS. You are eligible to trade on M-GAS if you have signed a shipper contract with SNAM RETE GAS and thus you are entitled to submit bids/offers on M-GAS. In order to trade on M-GAS you must apply for the market admission to GME.

7. **Where can I find detailed admission requirements and prerequisites?** Please refer to the **How to participate** section of GME's webpage: entities meeting the requirements mentioned **in the Natural Gas Market Regulation (M-GAS),** may request admission to the market by submitting the documentation referred in M-GAS **Technical Rules n. 01 MGAS**, according to the terms and conditions provided for therein. GME has also provided, pursuant to **Article 27, paragraph 27.1**, of the **Gas Market Rules**, to carry out the **Market Making** activity. Gas Market Participants, interested in carrying out this activity, shall submit a specific request to GME according to the provisions of **Technical Rules 18 MGAS**.

8. **How to operate on M-GAS?** Please refer to the **How to operate** section of GME's webpage: access to Natural Gas Market IT system takes place through **security procedures** characterised by digital identification tools, smart cards, designed to guarantee the authentication of the electronic signature and, therefore, the conclusion of gas purchase/sale contracts. You can also trade during the continuous trading sessions in the MGP-GAS, MI-GAS and in the MT-GAS also by connecting to the Trayport® Global Vision portal, according to the provisions of **Technical Rule no. 04 MGAS**. For more information regarding the platform functioning please refer to the **M-GAS Operator Manual**.

9. **Are there any fees for the participation to M-GAS?** According to **Article 7** of the **Gas Market Rules**, GME annually defines the amount of fees that gas Market Participants pay for the services provided. For update values please refer to the **FEE** section in GME's webpage.

10. **Where can I find information regarding the settlement of payments?** For the purposes of settling payments on MGAS, considering *W* to be the week in which the gas being traded was delivered, the settlement period for MGAS transactions is week *W+1*. On the first working day of week *W+1*, GME determines the net position (known as the net amount to be settled) for each Market Participant, calculated as the difference between credits and debits, based on the amounts, including VAT where applicable, relating to purchase and sale transactions concluded on the MGAS during week *W* - running from Monday (*T-6*) to Sunday (*T*) - in which the gas was delivered. Exceptions are MGS and MPL sessions, for which the week *W*, for the purposes of determining the net position, is understood to be the week from Sunday (*T-7*) to Saturday (*T-1*). For details about the determination of the net balance to be settled, see the **Settlement of Payments** section of GME's webpage and the **MGAS Technical Rule no. 16**.

11. **Where can I find information about the invoicing process for transactions concluded on M-GAS?** For billing purposes, considering W to be the week in which the gas being traded has been delivered, the invoicing period of payables/receivables will be the calendar month in which such payables/receivables have been financially settled. For each invoicing period, GME 1. issues invoices to buying Market Participants (other than PA Participants) in respect of transactions financially settled in the same calendar month; 2. sends invoices in respect of purchase transactions made by PA Participants in the MGAS; 3. receives from all Market Participants the invoices payable in respect of transactions financially settled in the same calendar month. For details on the invoicing terms, conditions and timings, please refer to the **Accounting and Taxation** section of GME's website and to **DTF MGAS No. 16**.

12. **Where can I find information about the tax scheme applicable to transactions concluded on M-GAS?** For gas sales made on MGAS to Market Participant, GME issues invoices based on the tax scheme communicated by each Market Participant using the appropriate forms. Details of the different VAT scheme applicable on M-GAS as well as the forms for Market Participant to use are available in the **Accounting and Taxation** section of GME's website and in **DTF MGAS No. 17**.

13. **Where can I find information on the Guarantee System?** In order to operate on the energy and gas markets Participants shall submit – alternatively or cumulatively – financial guarantees as:

- ❑ **first demand bank guarantee** issued by banks registered as provided for in Article 13 of the Legislative Decree no. 385 of 1 September 1993, and which have a long-term rating awarded by at least one of the following rating agencies: *Standard & Poor's Ratings Services, Moody' Investor Service, Fitch* and *DBRS*. The rating must be at least BBB- of the *Standard & Poor's or Fitch* scales or Baa3 of the *Moody's Investor Service* scale or BBB low of the *DBRS* scale. The guarantee must be filled in accordance with **Annex C** (for guarantees without expiry dates covering exposure on M-GAS and ME) and/or **Annex E** (for guarantees with an expiry date covering exposure on M-GAS and ME spot market only) and submitted to the bank in charge of GME's treasury services, together with SWIFT message 799.

- ❑ **non-interest-bearing deposit** to be disposed on the bank account held by GME with the bank in charge of the its treasury service.

For more information, please refer to the **Guarantee System** section of GME's webpage as well as **DTF 19 M-GAS** and **DTF 15 M-GAS..**