



Presentation of urgent amendments to the Integrated Text of the Electricity Market Rules

(under Article 3, para. 3.5 of the Integrated Text of the Electricity Market Rules)

A decree of the Minister of Productive Activities (issued on 19 December 2003 and published in the "Supplemento Ordinario, Serie Generale, Gazzetta Ufficiale" no. 301 of 30 December 2003) approved the Integrated Text of the Electricity Market Rules (hereinafter referred to as the "Electricity Market Rules"), as amended.

Decision 111/06 of "Autorità per l'Energia Elettrica e il Gas" (electricity & gas regulator, hereinafter referred to as "AEEG"), as amended by Decisions 253/06 and 73/07 of the same AEEG, introduced the "Piattaforma dei Conti Energia a termine" (Forward Electricity Account Trading Platform - PCE). These decisions made it necessary to make a few amendments to the Electricity Market Rules with a view to safeguarding the proper functioning of the market.

Additional amendments were introduced as a result of the repeal of the Decree of the Minister of Industry of 11 November 1999, in accordance with a Decree of the former Minister of Productive Activities issued jointly with the Minister of the Environment and Land Protection on 24 October 2005. The latter decree provided "updated guidelines for incentivising electricity generated from renewables as per Article 11, para. 5 of Legislative Decree no. 79 of 16 March 1999".

In accordance with Article 3, para. 3.5 of the Electricity Market Rules, the amendments proposed by "Gestore del Mercato Elettrico S.p.A." (hereinafter referred to as "GME") shall have effect upon their publication on GME's website and shall be timely submitted to the approval of the Minister of Productive Activities, who shall decide after hearing the opinion of AEEG.

Article 1: "Text and Annexes"

The text of Article 1 has been amended as follows:

- 1.1 These Electricity Market Rules (hereafter called the "Rules") and the documents attached hereto, which are an integral part hereof, contain the operating rules for the Electricity Market, in accordance with Article 5 of Legislative Decree no. 79 of 16 March 1999, and for the Green Certificates Market, as set forth in Article 6 of the Decree adopted by the Minister

of Productive Activities jointly with the Minister of the Environment and Land Protection on 24 October 2005 (hereafter called “Ministerial Decree of 24 October 2005”).

Article 2: “Definitions”

The text of Article 2, para. 2.1 gg) and s) has been amended as follows:

- gg) Green Certificates shall mean the tradable certificates specified in Article 5 of the Ministerial Decree of 24 October 2005;
- s) Ministerial Decree of 24 October 2005 shall mean the decree providing “updated guidelines for incentivising electricity generated from renewables under Article 11, para. 5 of Legislative Decree no. 79 of 16 March 1999, published in the “Gazzetta Ufficiale, Serie Generale, S.O.” no. 265 of 14 November 2005”.

Moreover, the following para. 2.2 has been added:

- 2.2 For the purposes of these Rules, reference shall be made, where applicable, to the definitions of Article 2, para. 2.2 of the Rules Governing the Forward Electricity Account Trading Platform - PCE, as amended; the latter Rules were adopted by GME in compliance with Article 17, Annex A to AEEG’s Decision 111/06 and successfully verified by the Director of Markets of AEEG as per Resolution of 7 February 2007.

Article 3: “General Principles and Amendments to the Rules”

The text of Article 3, paras. 3.4 and 3.5 has been amended as follows:

- 3.4 GME may propose amendments to these Market Rules and notify them to the parties concerned by posting them on its website or by other suitable means, allowing at least fifteen days for the submission of comments, if any. Taking into account the comments received, GME shall then submit the proposed amendments (and the reasons therefor) to the approval of the Minister of Economic Development, who shall decide after hearing the opinion of AEEG.
- 3.5 The procedure referred to in para. 3.4 above shall not apply to urgent amendments to the Rules which have the purpose of safeguarding the proper functioning of the market. Any such amendment proposed by GME shall have effect as of the date of its publication on GME’s website and shall be promptly submitted to the approval of the Minister of Economic Development, who shall decide after hearing the opinion of AEEG. In case of non-approval, the amendment shall cease to have effect as of the date of notification of the Minister’s decision to GME. GME shall timely notify the outcome of the approval procedure to Market Participants by posting it on its website.

Article 31: “Market Suspension”

The text of Article 31, para. 31.2 has been amended as follows:

- 31.1 In the event of any exceptional circumstance as defined in the Dispatching Rules, GME shall, at the request of Terna, suspend the market.
- 31.2 GME shall inform AEEG and the Ministry of Economic Development of any market suspension.

Article 39: “Step-Up and Step-Down Margins for the MGP”

The text of Article 39 has been amended as follows:

- 39.1 Before the closure of the MGP sitting, GME shall receive from Dispatching Users the step-down margins for the MGP, in respect of each withdrawal offer point belonging to a geographical zone and not authorised for the MSD. The values of the step-up margins in respect of such points shall be equal to zero.
- 39.2 The quantities specified in the margins may only have values greater than or equal to zero.
- 39.3 Before the closure of the MGP sitting, GME shall receive from Terna: i) the step-up margins for the MGP in respect of each injection offer point; ii) the step-down margins in respect of each withdrawal offer point belonging to a geographical zone and authorised for the MSD or belonging to a virtual zone; and iii) the step-up and step-down margins in respect of each mixed offer point. The values of the step-down margins in respect of each injection offer point and of the step-up margins in respect of each withdrawal offer point belonging to a geographical zone and authorised for the MSD or belonging to a virtual zone shall be equal to zero.
- 39.4 If the Dispatching User or Terna fails to supply the data referred to in paras. 39.1 and 39.3 above, respectively, then GME shall use the latest values of the step-up and step-down margins for the MGP that it has received.
- 39.5 If the Dispatching User or Terna have never provided the data referred to in paras. 39.1 and 39.3 above, respectively, then GME shall assign the values of the step-up and step-down margins for the MGP in accordance with the procedure specified in the Technical Rules.

Article 41: “Provisional Results of the MGP and Provisional Preliminary Injection or Withdrawal Schedules”

The text of Article 41, para. 41.3 has been amended as follows:

- 41.3 For the purposes of para. 41.2 above, consideration shall also be given to the quantities corresponding to injection and withdrawal schedules for which recording on the Forward Electricity Account Trading Platform has been requested. Such schedules, to which the merit orders set out in the Dispatching Rules shall apply, shall be regarded as supply offers

and demand bids with the quantities and prices that have been submitted into the MGP, in accordance with the Rules Governing the Forward Electricity Account Trading Platform.

Article 43 bis: “Schedules submitted through the Forward Electricity Account Trading Platform”

Article 43 bis has been amended as follows:

43 bis.1 Notwithstanding the provisions of paras. 43 bis.2 and 43 bis.3, the physical balance arising on each electricity account, under the Rules Governing the Forward Electricity Account Trading Platform, shall correspond to:

- a) a purchase from the MGP by the Participant holding the electricity account, if the physical balance is lower than zero;
- b) a sale on the MGP by the Participant holding the electricity account, if the physical balance is greater than zero.

43 bis.2 In accordance with para. 43 bis.1 a) above, in order to assign a purchase to a Participant holding an electricity account and also being an Electricity Market Participant, such purchase shall be verified to be technically adequate in accordance with Article 72 below. If the purchase is not technically adequate, Terna shall become the counterparty of GME for such purchase.

43 bis.3 If a physical balance other than zero arises on an electricity account whose holder is not also an Electricity Market Participant, Terna shall become the counterparty of GME for the related purchase or sale, as specified in para. 43 bis.1 above.

Article 48: “Demand Bids and Supply Offers”

The text of Article 48, para. 48.2 bis has been amended as follows:

48.2 bis In the MA, Market Participants shall not submit bids/offers in respect of offer points that are associated with generating units fed by non-schedulable renewable sources. The generating units fed by non-schedulable renewable sources shall be those referred to in Article 1 of Annex A to AEEG’s Decision 111/06 of 13 June 2006, as amended.

Article 50: “Step-Up Margins and Step-Down Margins for the MA”

The text of Article 50 has been amended as follows:

- 50.1 By the closure of the MA sitting, GME shall receive from Dispatching Users the data concerning the step-down margins for the MA, in respect of each withdrawal offer point belonging to a geographical zone and not authorised for the MSD.
- 50.2 If the Dispatching User fails to provide the data indicated in para. 50.1 above, GME shall determine the values of the step-down margins for the MA according to the criteria specified in the Technical Rules.
- 50.3 Notwithstanding para. 50.1 above, by the closure of the MA sitting, GME shall receive from Terna the data concerning the step-up and step-down margins for the MA, in respect of each offer point.
- 50.4 If Terna fails to provide the data referred to in para. 50.3 above, GME shall determine the values of the step-up and step-down margins for the MA according to the criteria specified in the Technical Rules.

Article 70 “Financial Guarantees of Market Participants”

The text of Article 70, para. 70.1 has been amended as follows:

- 70.1 For the purposes of submitting technically adequate bids/offers into the energy markets, Market Participants that are not Dispatching Users shall post financial guarantees (first demand guarantees) issued by banks which are members of the professional association referred to in Article 13 of Legislative Decree no. 385 of 1 September 1993 and which have a long-term rating attributed by at least one of the following companies: Standard & Poor’s Rating Services, Moody’s Investor Service and Fitch. The rating shall not be lower than A- on Standard & Poor’s or Fitch’s scale or A3 on the scale of Moody’s Investor Service:
- a) according to the pro-forma attached hereto as Annex 3, or
 - b) if Market Participants are also PCE Participants, according to the pro-forma attached hereto as [Annex 5](#), notifying GME of the part of the guarantee to be allocated for covering payables on the PCE, in accordance with the modalities defined in the Technical Rules.

Article 71 “Amounts Covered by Financial Guarantees”

The text of Article 71, para. 71.3 has been amended as follows:

- 71.3 The Market Participant may at any time request the modification of the amount covered by the financial guarantee that it has submitted according to the pro-forma attached hereto as Annex 3, by submitting a letter updating such amount according to the pro-forma attached hereto as Annex 4 to the bank in charge of treasury services or by posting a new financial guarantee.

Para. 71.3 bis has also been added:

71.3 bis The Market Participant may at any time request the modification of the amount covered by the financial guarantee that it has submitted according to the pro-forma attached hereto as [Annex 5](#), by submitting a letter updating such amount according to the pro-forma attached hereto as [Annex 6](#) to the bank in charge of treasury services or by posting a new financial guarantee.

Article 77 “Payments from GME to Market Participants”

The text of 77, para. 77.5 has been amended as follows:

77.5 If GME fails to make payments to creditor Market Participants within the time periods provided for in this Article, GME shall pay interest to such Market Participants at the rate calculated under the procedure posted on GME’s website.

Article 85 “Green Certificates Admitted to Trading”

The text of Article 85 has been amended as follows:

85.1 Green Certificates of the value defined in the Technical Rules and which are still valid for the purposes of the verifications specified in Article 7 of the Ministerial Decree of 24 October 2005 shall be admitted to trading.

Article 97 “Penalties and Sanctions”

The text of Article 97, para. 97.7 has been amended as follows:

97.7 The penalty/sanction and the reasons for it or the decision to dismiss the case shall be notified to the Market Participant concerned and a copy of such notification shall be sent to the Ministry of Economic Development.

Article 99 “Suspension for Non-Fulfilment of Notification Obligations and Non-Payment of Fees”

The text of Article 99, para. 99.1 b) has been amended as follows:

99.1 Apart from the cases provided for in *[omissis]* Article 74, para. 74.3 and Article 98 above, GME shall suspend the Market Participant from the market or impose the financial penalty referred to in Article 98, para. 98.5 above, in the following cases:

- a) where the Market Participant does not fulfil its obligation of notification as per Article 19, para. 19.1 above. The suspension shall have effect until the date on which GME receives said notification;
- b) where the Market Participant fails to pay the fees specified in Article 7, paras. 7.1 and 7.2 above, according to the provisions of Article 67 above. The suspension

shall have effect until the date on which the Market Participant fulfils such obligation and, anyway, for a period not exceeding six months; if, upon the expiration of such period, the Market Participant has not paid the fees, the Market Participant shall be suspended from the market.

The following Article 120 has been added to the transitory and final provisions:

Article 120 “Determination of Offsetting Payables and Receivables for the Price for Valuing Sales in Respect of Injection Offer Points Belonging to Neighbouring Countries’ Virtual Zones for the Year 2007”

- 120.1 The provisions of this Article comply with the “Congestion management rules on the Italian interconnection for the year 2007” published by Terna.
- 120.2 Terna shall transmit to GME the list of the injection offer points belonging to neighbouring countries’ virtual zones, in respect of which GME shall determine the payables and receivables referred to in this Article.
- 120.3 For supply offers accepted in the energy markets and in respect of the offer points referred to in para. 120.2 above, GME shall pay the amount of the difference between the following two quantities (if positive) or receive such amount (if negative) to or from the Market Participant that has submitted such offers:
- a) the quantities specified in the accepted offers, valued at the price of the geographical zone adjacent to the neighbouring country’s virtual zone where the offer point is located;
 - b) the quantities specified in the accepted offers, valued at the price of the neighbouring country’s virtual zone where the offer point is located.
- 120.4 Billing, invoicing and settlement of the payables and receivables referred to in this Article shall take place in accordance with the modalities and within the time limits provided herein for the billing, invoicing and settlement of payments for the offers accepted in the energy markets.
- 120.5 The Participant’s payables or receivables referred to in this Article, increased by VAT at the applicable rate and by one percent, shall be taken into consideration for the purposes of the technical adequacy verification referred to in Article 72 above, in accordance with the modalities stated in the Technical Rules.

Moreover, it has been necessary to amend some Technical Rules and to add a new Technical Rule. The Technical Rules, which represent the implementing and procedural provisions of the Electricity Market Rules, as per art. 4 of the same rules, are posted on GME’s website and enter into force on the date of their publication (Art. 4, para. 4.2).

The amended Technical Rules are: Technical Rule no. [11 rev2](#) (“GME’s computation of margins for the MGP and MA failing receipt of margin data”), Technical Rule no. [17 rev4](#) (“Invoicing of

transactions and settlement of payments”), Technical Rule no. [21 rev3](#) (“Adequacy of the bank guarantee”) and Technical Rule no. [22 rev1](#) (“Loss of qualifications or default by the bank issuing the bank guarantee”).

The new Technical Rule is no. [23](#) on the utilisation of the integrated financial guarantee.