

Technical Rule no. 10 PAR

(pursuant to Article 4 of the Regulation of the Platform for the Allocation of Regasification Capacity,
Approved by Autorità di Regolazione per Energia Rete e Ambiente with Resolution
111/2018/R/gas)

Title	Determining the results of the auction sessions on the OLT segment
Reference Legislation	Article 39, paragraphs 39.1 and 39.4, Article 43, paragraph 43.2, and Article 61, of the Regulation

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1 Foreword

Article 39, paragraph 39.1, of the Regulation provides that GME shall carry out each open ascending auction session on the OLT segment for the allocation of annual and multi-annual capacity, as described in the Technical Rules and in implementation of the criteria governed therein.

Article 39, paragraph 39.4 of the Regulation provides that in order to determine the outcomes of each open ascending session, GME shall accept the valid and adequate offers as specified in the Technical Rules and in such a way that: a) the net value of the transactions is maximized, provided that the number of capacity slots covered by the accepted purchase offers is equal to the number of capacity slots that can be allocated; b) the payable price of the accepted offers is equal to the price determined as described in the Technical Rules.

Article 43, para. 43.2 of the Regulation provides that, in order to determine the results of each auction session for the capacity allocation during the thermal year on the OLT segment, GME shall accept the offers, valid and adequate, as specified in the Technical Rules in such a way that: a) the number of slots that can be allocated is maximized, taking into account the intra-session planning; b) without prejudice to the provisions of letter a) above, the net value of the transactions is maximized, provided that the number of capacity slots of accepted offers is equal to the number of capacity slots to be allocated.

Article 61 of the Regulation provides that, until differently provided by GME in agreement with OLT on this matter, notwithstanding the provisions set out in (...) Article 43 of the Regulation, the provisions set out in the Technical Rules are applied for the determination of the results (..) within the OLT segment.

2 Determining the outcomes of the open ascending auction session

The open ascending auction mechanism may provide for the execution of several consecutive procedures. The amount offered by the participant, next to each price level, as described below, shall not be increasing as the price level increases.

– **First procedure:**

- if the aggregate purchase offer of all the participants expressed with reference to the reserve price P/R is \leq of the capacity being allocated, the PAR information system carries out the auction with the allocation of the amounts requested at the auction price;
 - If the aggregate purchase offer of all participants expressed with reference to the P/R reserve price is $>$ of the capacity being allocated, the information system shall not carry out the auction and proceed with the second procedure.
- **Second procedure:** the PAR information system shall carry out the auction at the auction price amounting to the sum of the reserve price P/R and the "high price step" (auction price of the second procedure);
- if the aggregate purchase offer of all the participants expressed with reference to the auction price of the second procedure is $=$ to the capacity being allocated, the PAR information system shall carry out the auction with the allocation of the amounts requested at the auction price of the second procedure;
 - if the aggregate purchase offer of all the participants expressed with reference to the auction price of the second procedure is $>$ (**CASE A**) or $<$ (**CASE B**) of the allocated capacity, the information system of the PAR information system shall not carry out the auction and proceeds with the third procedure.
- **Third or subsequent procedure - CASE A:** PAR information system shall carry out the auction at the auction price amounting to the sum of the auction price of the previous procedure and the "high price step" (*auction price of the third or subsequent procedure - CASE A*);
- if the aggregate purchase offer of all the participants expressed with reference to the *auction price of the third or subsequent procedure - CASE A* is $=$ to the capacity being allocated, the PAR information system shall carry out the auction with the allocation of the amounts requested at the *auction price of the third or subsequent procedure - CASE A*;
 - if the aggregate purchase offer of all participants expressed with reference to the auction price of the third or subsequent procedure is $>$ to the capacity being allocated, PAR information system shall not carry out the auction and proceed with a further procedure according to the criteria described for the "**Third or subsequent procedure - CASE A**".
 - if the aggregate purchase offer of all participants expressed with reference to the *auction price of the third or subsequent procedure* is $<$ to the capacity being allocated, the PAR

information system shall not carry out the auction and proceed with a further procedure according to the criteria described in the "**Third or subsequent procedure - CASE B**".

- **Third or subsequent procedure CASE B:** the PAR information system shall carry out the auction at the auction price amounting to the sum of the auction price of the second procedure and the "low price step" (*auction price of the third procedure - CASE B*) or the sum of the auction price of the procedure before the undercutting¹ is observed for the first time and the "low price step" (*auction price of the third subsequent procedure - CASE B*);
 - if the aggregate purchase offer of all the participants expressed with reference to the *auction price of the third procedure or the auction price of the subsequent procedure - CASE B* is \leq of the capacity being allocated, the PAR information system shall carry out the auction with the allocation of the amounts requested at the auction price;
 - if the aggregate purchase offer of all the participants expressed with reference to the *auction price of the third procedure or the auction price of the subsequent procedure - CASE B* is $>$ of the capacity being allocated, the PAR information system shall not carry out the auction and proceeds with the subsequent procedure. The auction relating to the subsequent procedure is carried out with an auction price amounting to the sum of the *auction price of the third or subsequent procedure - CASE B* and of a further "low price step".

The auction shall not be carried out and shall be considered closed if the aggregate purchase offer of all the participants expressed with reference to the *auction price of the procedure* in which the first undercutting took place, decreased by a low price step, is higher than the aggregate purchase offer of all the participants expressed with reference to the *auction price of the procedure in which the first undercutting took place*. In this case, the PAR information system shall award the capacity for the amounts corresponding to the offers of the procedure where the first undercutting took place at the auction price of that procedure.

The procedures described therein continue until the price steps at which the participants have submitted bids/offers have been exhausted. If, even at the last price step, the total amount offered is still greater than the available capacity, the auction will not produce any result. GME informs participants and the regasification company about this circumstance in such a way as to organize a new auction starting from the last high price step and to provide for further steps of high and low price for which participants shall submit bids/offers.

3 Determination of the results of the *pay as bid* auction session

The determination of the results of the auctions for the allocation of capacity slots during the thermal year through quotation of products for which the unloading date is scheduled, is carried out in compliance with the following criteria:

- maximization of the number of capacity slots to be allocated
- maximization of the value of the bids/offers, with priority given to the bids/offers submitted at the highest price, consistent with the scheduling made. For bids/offers submitted at the same price, the time priority for submitting them will be considered.

In the event of non-determination, the slots closest to the bids/offers with the highest priority will be allocated.

EXAMPLE 1

	01-Jun	08-Jun	15-Jun	22-Jun	
User A	10				
User B	8	8	8	8	
User C	6				
User D		4		4	
User E	3		3		
User F				2	
User G				1	
	10	8	3	4	
	25				Maximum revenue

Therefore, by mere way of example, on the basis of the example shown in the table, the slot of 1 June is assigned to user A as it offered the highest price for the available slot. The slot of 8 June is assigned for the same reason to user B. Please note that in order to maximize the capacity and

¹ Undercutting shall mean the case in which the aggregate purchase offer of all the participants expressed with reference to a price level is \leq the capacity being allocated.

revenues, allocating the slot of 8 June to user B and the slot of 22 June to user D or vice versa makes no difference; in this case the user who has offered the highest price will be awarded the first slot.

EXAMPLE 2

	01-Jun	08-Jun	15-Jun	22-Jun
User A	10	10		
User B			9	9
User C			8	
User D				7
User E				3
User F			2	
User G	1			
	1	10	8	9
	28			

Maximum revenue

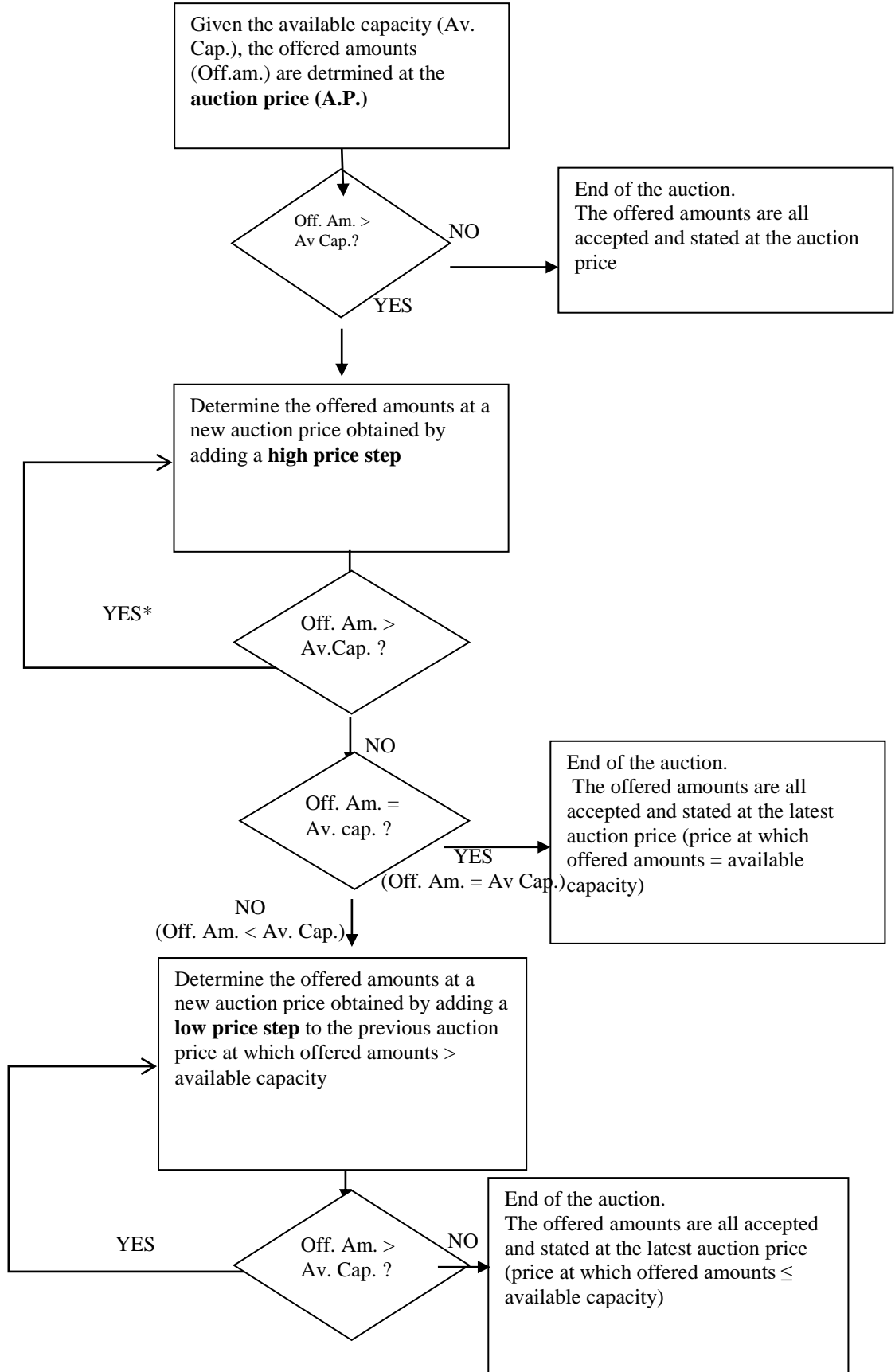
The slot of 1 June is allocated to the user G (as if it had been allocated to the user A, the next slot could not have been allocated to the latter, thus reducing revenues from 11 to 10, but above all, it would have halved the allocated capacity). Since the user A has indicated two slots without any preference, it has been possible for the first slot to prefer User G who has submitted its bid/offer only for that one.

3.1 Transitional provision

Pursuant to the transitional provisions referred to in Article 61 of the Regulation, the provisions of paragraph 3 above shall not apply until otherwise indicated by GME in agreement with OLT. Therefore, in implementation of the provisions of the ARERA with Resolution 110/2018/R/gas, the bids/offers concerning the capacity slots for the quarter following the auction, only refer to slots with specific unloading date. In order to determine the results for the allocation of capacity slots with specific unloading date, GME:

- a. shall select, from the order of merit of the bids/offers verified valid and adequate pursuant to Article 42 of the Regulation, the only bids/offers with an offer price greater than or equal to the reserve price (P) or the reserve price (R);
- b. among the bids/offers referred to in letter a) above, shall accept the bid/offer with the highest price and, for the same price, the bid with the highest time priority.

4 APPENDIX: Flow chart of the process for determining the results for the allocation of annual/multi-annual capacity



* This iteration continues for n times where n is equal to the number of high steps for which the participants have submitted offers. If at the end of the last iteration a solution is not found, the procedure stops without determining an outcome and in the following days a new auction will take place.