



Guidelines Facilitating Access to and Participation in GME's Electricity Market

(updated as of 1 January 2010)

1. What is the Electricity Market?

The Electricity Market arises from Legislative Decree no. 79 of 16 March 1999 (Legislative Decree 79/99), which transposed the European Directive concerning common rules for the internal market in electricity (96/92/EC) into the Italian legislation.

The Electricity Market consists of:

- **a Spot Electricity Market (MPE)**, composed of:
 - *Day-Ahead Market (MGP - energy market);*
 - *Intra-Day Market (MI - energy market);*
 - *Ancillary Services Market (MSD), consisting of the ex-ante MSD and of the Balancing Market (MB);*
- **a Forward Electricity Market with delivery-taking/-making obligation (MTE - energy market);**
- **the platform for physical delivery of financial contracts concluded on IDEX (CDE - energy market).**

2. How do I join GME's Electricity Market?

If you fulfil the competency and integrity requirements defined in art. 11 of the Integrated Text of the Electricity Market Rules (hereafter "Electricity Market Rules") and you wish to participate in GME's Electricity Market, you may fill in and submit a Market Participation Application and a Market Participation Agreement, accompanied by a few documents (see point 3).

Competency requirements mean that you should be proficient in the use of ICT systems and related security systems, or that you should have ICT-proficient employees or assistants (art. 11, para. 11.1).

Integrity requirements mean that you (if you are applying as an individual) or the owner/legal representative of the organisation (if you are applying as an organisation), should have never been convicted for “agiotage”, violation of the secrecy of IT or ICT communications or computer fraud (art. 11, para. 11.2 a)).

An additional requirement for admission to the market is that no penalty of exclusion should have been previously imposed on the applicant as per articles 113 and 114 of the Electricity Market Rules (art. 11, para. 11.2 b)). This requirement does not apply if the applicant has been previously excluded on request as per art. 20 (art. 11, para. 11.3).

3. How do I obtain the Market Participation Application and the Market Participation Agreement?

You may download them (in Word format) from GME’s website (in the “GME’s Markets/Electricity Market/How to Participate/Forms” section). Fill in the blanks concerning Market Participant/applicant’s data. Then, sign the forms, if you are applying as an individual, or have them signed by the legal representative/duly authorised person of the organisation, if you are applying as an organisation.

In addition to completing the fields concerning the Market Participant’s data in both forms, do not forget the following points:

- *in the Market Participation Application, specify*
 - *for which market (Electricity Market or Green Certificates Market) you are applying, by checking the appropriate box or both boxes;*
 - *first name, family name and address (telephone number and e-mail address) of the contact person for notifications, if any;*
 - *first name, family name, date and place of birth, address, telephone number and e-mail address of the person/s that you wish to authorise to access GME’s information system on your behalf (smart card holders, see point 8), in respect of each market platform (MPE/MTE/MCV) for which you are applying;*
 - *the identification code that Terna has assigned to you (where applicable and if you wish to participate in the Electricity Market);*
 - *the identification code that GSE has assigned to you (where applicable and if you wish to participate in the MCV);*
- *as regards the Market Participation Agreement,*
 - *complete and sign two originals of the Agreement;*
 - *put your initials on each page of both originals;*

- specifically approve the clauses of the Agreement which refer to articles 1341 and 1342 of the Italian Civil Code, by putting a second signature after such clauses.

Remember that you should complete paras. 9.6 and 9.7 of the Market Participation Agreement with your addresses.

You may deliver the Market Participation Application and the Market Participation Agreement, duly completed and signed, together with the required documents (see point 4), by hand, by courier or by registered letter with return receipt to GME's headquarters, Largo Tartini 3-4 00198 Rome, Italy.

Please use the forms in Italian available on GME's website.

4. Which documents should I enclose?

If the Application and the Agreement are signed by yourself (you are applying as an individual)

- and you are an Italian, EU (European Union) or non-EU citizen residing in Italy: enclose a self-certification (form available on GME's website, in the "GME's Markets/Electricity Market/How to Participate/Forms" section) or other equivalent documents certifying that you qualify under the integrity requirements, i.e. that:
 - in Italy, you have never been sentenced (with a final judgement or with a judgment inflicting the penalty at the request of the parties, except in cases of extinction of the offence and notwithstanding the effects of rehabilitation/reinstatement of offenders) to imprisonment for "agiotage" or violations of the secrecy of IT or ICT communications or computer fraud;
 - abroad, you have never been subject to measures which would imply the loss of the same qualifications under the Italian legal system;

or

- you are a non-EU citizen not residing in Italy: enclose documents issued by the competent authority of your country or other equivalent documents certifying that you qualify under the integrity requirements; based on these documents, GME will make a substantial equivalence evaluation.

If the Application and the Agreement are signed by yourself, as legal representative or duly authorised person of an organisation,

- and you are an Italian, EU or non-EU citizen residing in Italy: enclose a self-certification (form available on GME's website, in the "Electricity Market/How to Participate/Forms"

section) or other equivalent documents certifying that you qualify under the integrity requirements, i.e. that:

- in Italy, you have never been sentenced (with a final judgement or with a judgment inflicting the penalty at the request of the parties, except in cases of extinction of the offence and notwithstanding the effects of rehabilitation/reinstatement of offenders) to imprisonment for “agiotage” or violations of the secrecy of IT or ICT communications or computer fraud;
- abroad, you have never been subject to measures which would imply the loss of the same qualifications under the Italian legal system;

or

- you are a non-EU citizen not residing in Italy: enclose documents issued by the competent authority of your country or other equivalent documents certifying that you qualify under the integrity requirements; based on these documents, GME will make a substantial equivalence evaluation;
- you are an Italian, EU or non-EU citizen residing in Italy: enclose a self-certification or other equivalent documents certifying that you are duly authorised to represent the organisation (powers of representation);

or

- you are a non-EU citizen not residing in Italy: enclose a certification issued by the competent authority of your country or other equivalent documents certifying your powers of representation; based on these documents, GME will make a substantial equivalence evaluation.

Please use the forms in Italian available on GME’s website.

If GME already holds the above documents, you should not re-submit them, but only specify such fact and the date of your previous submission.

5. When do I acquire the status of Market Participant?

Within 15 days from receipt of your Application, after checking your documents and qualifications, GME will notify you of the acceptance or rejection of your Application, by fax, followed by a registered letter with return receipt.

The time limit of 15 days may be postponed until you meet the additional requirements that GME may specify as necessary for the processing of your Application or for completing the documents that you have submitted.

Upon admission, you acquire the status of Participant in the market/s (Electricity Market/Green Certificates Market) for which you have applied. As such, you will be entered into the Register of Market Participants posted on GME's website, in the Electricity Market section.

6. What should I not forget?

As a Market Participant, you should notify GME of any event which may involve the loss or change of your qualifications for participating in the market, or which may result into a change of your data in the Register of Market Participants. Such notification should be given to GME within 3 working days, at the latest, from the occurrence of such event.

7. Is access to GME's Electricity Market free of charge?

No. Within five days from notification of your admission to the market, GME will send you an invoice with the amounts of the access fee and of the yearly fixed fee to be paid (the latter fee is owed for the services provided by GME in the Electricity Market for a period of twelve months from the date of your admission to the market).

In the text of the invoice, you will find the deadlines and the reference data for making the payment.

In the Electricity Market (MPE/MTE/MSD/CDE), a variable fee is also charged on transactions/registrations made by Participants. For each invoicing period (calendar month), GME will calculate the total amount of the variable fees and then send a separate invoice for these fees to each Participant.

The extent of the fees is set by GME on a yearly basis, taking into account the need to balance its accounts. The fees are posted on GME's website together with the parameters used for their determination.

8. How do I access GME's Electricity Market information system?

After being admitted, you may access GME's Electricity Market information system only through the Internet, by connecting to GME's website.

You may access the system directly or you may specify in your Market Participation Application (see point 3) the name/s of one or more persons that you authorise to submit

offers/bids, in your name and on your behalf, into each market platform for which you have applied.

REMEMBER: *If you wish to **modify** the users mentioned in your Application, specifying those authorised to trade on the individual market platforms (MPE/MTE/MCV), you will have to submit an “application for managing users’ authorisations” (available on GME’s website, in the “Electricity Market/How to Participate/Forms” section). You may use the same form also to **revoke** users’ authorisations.*

*If you wish to **authorise new users** in addition to those already mentioned in your Market Participation Application (and also differentiate the new users’ authorisations for each of the individual market platforms), you will have to submit an “application for adding users’ authorisations” (available on GME’s website, in the “Electricity Market/How to Participate/Forms” section).*

Access to the system is based on identification of Market Participants/users and authentication of their transactions via a digital certificate/digital signature procedure (personal smart card issued by a company authorised to release digital certificates under the CNIPA standard and compatible with the Electricity Market Information system).

9. Which guarantees should I post in order to participate in GME’s energy markets?

To submit adequate bids/offers into all the energy markets, you may post financial guarantees in the form of a first-demand bank guarantee or of a non-interest-bearing cash deposit.

Financial guarantees posted in the form of first-demand bank guarantees should meet the requirements indicated in the Electricity Market Rules (art. 79) and have the format of Annex 3 thereto.

In particular:

- If you wish to participate only in the MPE, you may - alternatively or cumulatively - post bank guarantees in the format of Annex 3 or of Annex 5 to the Electricity Market Rules.*
- If you wish to participate both in the MPE and in the PCE (if you are an Electricity Market Participant and you are also active on the PCE), you may - alternatively or cumulatively - post bank guarantees in the format of Annex 3 or of Annex 7 to the Electricity Market Rules.*

- *If you wish to participate only in the MTE/CDE, you may post only the bank guarantee in the format of Annex 3 to the Electricity Market Rules.*

(Transactions on the CDE platform and coverage of payables arising from the exercise of the option of physical delivery thereon are guaranteed by the share of the overall guarantees that the Market Participant has allocated to participation in the MTE).

Moreover, these guarantee may be updated at any time (art. 80 of the Electricity Market Rules), by submitting an updating letter in the format annexed to the Electricity Market Rules.

With regard to the financial guarantees posted in the form of a non-interest-bearing cash deposit (to be made into the account held by GME with the bank in charge of its treasury services - art. 78 of the Electricity Market Rules), you may at any time modify (increase or decrease) the guaranteed amount.

GME will recognise the increase of the guaranteed amount from the second working day following the one on which your deposit has been credited to the account held by GME with the bank in charge of its treasury services.

You may also request the total or partial refund of your previously deposited amount, provided that such refund does not create an exposure position not entirely covered by the remaining overall amount of the guarantees (amount of the bank guarantee + cash deposit) that you have posted.

The modalities for allocating the total amount of the overall financial guarantees posted in the individual markets (MGP/MI/MTE/PCE) are described in the Technical Rules.

Failing indications about the allocation of your financial guarantees, GME will allocate the entire amount of the posted guarantees to transactions in the MPE, in compliance with the provisions of Title V of the Electricity Market Rules.

For participation in the MSD, no guarantees should be posted in favour of GME, because the role of counterparty in this market is played by Terna.

10. To whom should I submit the bank guarantees?

You are required to submit or send your bank guarantees or updating letters, by registered letter with return receipt, to:

*Banca Popolare di Sondrio, Società Cooperativa per Azioni,
Viale Cesare Pavese, 336, 00144 Roma, c.a. Ufficio Crediti.*

The bank will put a stamp on your documents with the date/time of receipt, which will become the official “date of submission”.

11. Who may submit offers/bids into the MGP?

Market Participants may submit supply offers only in respect of injection points or mixed points and demand bids only in respect of withdrawal or mixed points that they own.

12. Who may submit offers/bids into the MI?

Market Participants may submit both supply offers and demand bids in respect of injection, withdrawal and mixed points that they own.

13. Who may submit offers/bids into the MSD?

Only Dispatching Users may submit offers/bids into the MSD in respect of the offer points that Terna has authorised for the dispatching service and that they own.

14. Who may submit offers/bids into the MTE?

All Electricity Market Participants that are also authorised to register transactions on the electricity accounts that they hold on the PCE.

15. Who may request the execution of financial derivatives contracts on the CDE?

All Electricity Market Participants are automatically admitted to the CDE. However, only Participants holding an electricity account on the PCE may request the actual physical delivery of financial derivatives contracts concluded on IDEX

16. How are Market Participants authorised to submit offers/bids into the MPE in respect of an offer point for which they are Dispatching Users?

All Electricity Market Participants are authorised to submit offers/bids in respect of offer points for which they are Dispatching Users.

17. How are Market Participants authorised to submit offers/bids into the MPE in respect of an offer point for which they are not Dispatching Users?

A Market Participant wishing to submit offers/bids in respect of an offer point for which he/she is not a Dispatching User may submit a declaration (under art. 17, para. 17.3 of the Electricity Market Rules) issued by the Dispatching User of the offer point, where the Dispatching User declares that the Market Participant is entitled to submit offers/bids in respect of such offer point, or a declaration (under art. 17, para. 17.4) issued by a Market Participant who has been in turn delegated and authorised to do so by the related Dispatching User. In this case, the declaration should be accompanied by a copy of the original first delegation.

This declaration should contain at least the following data:

- a) identification code of the offer point for which the request is being made;*
- b) date from which the requesting Market Participant is entitled to submit offers/bids in respect of such offer point;*
- c) date until which the requesting Market Participant is entitled to submit offers/bids in respect of such offer point.*

The declaration may be modified or revoked at any time.

18. Are there any additional requirements for submitting offers/bids into the Electricity Market?

- You must notify GME of your bank details (or the bank details of the organisation that you represent);*
- you must submit to GME a declaration indicating your applicable VAT scheme.*

19. Which are the opening and closing hours of the Electricity Market?

The opening and closing hours of the Electricity Market are set by GME and indicated on its website and in the Technical Rules posted thereon.

20. How do I submit an offer/bid into the MPE?

To submit an offer/bid into the MGP/MI markets, you may:

- *complete the appropriate form (web form) that you may obtain from the MPE information system (“Invio offerte”-Offer/bid submission menu in the “Mercati”-Markets section); through the web form, you may submit offers/bids for single units, single markets and single sessions;*

or

- *submit (upload) an XML file, similar to the one contained in the document “XML Implementation Guide for Market Participants”, posted in the “GME’s Info/Library/Software” section of GME’s website www.mercatoelettrico.org*

To submit offers/bids into the Ancillary Services Market (MSD), you may use only the second option, i.e. submit (upload) an XML file, similar to the one contained in the document “XML Implementation Guide for Market Participants”, posted in the “GME’s Info/Library/Software” section of GME’s website www.mercatoelettrico.org

21. How does GME notify the validity/invalidity of an offer/bid submitted into the MPE?

After receiving an offer/bid, GME notifies the Market Participant of the validity/invalidity thereof, by providing the same Market Participant with a “Functional Acknowledgement” file in the “Downloads” section of the Electricity Market information system. If the offer/bid is invalid, the file will specify the reason for the invalidity.

22. How does GME notify the outcome of the adequacy verification and the possible acceptance of an offer/bid submitted into the MPE?

At the end of the market session, GME notifies the Market Participant of the outcome of the offer/bid, by providing the same Market Participant with a “Bid Notification” file in the “Downloads” section of the MPE information system.

If the offer/bid has been accepted, the notification will specify both the accepted quantity and the related price.

If the offer/bid has not been accepted, the notification will specify whether the non-acceptance is due to inadequacy of the offer/bid (Art. 29 of the Electricity Market Rules) or

to the fact that its price is higher (for supply offers) or lower (for demand bids) than the one determined by the market algorithm.

23. How does GME notify the schedule for each offer point at the end of the MGP and MI?

At the end of the market session, GME notifies the Market Participant of the hourly injection or withdrawal schedule for each offer point, by providing the same Market Participant with a “Unit Schedule” file in the “Downloads” section of the Electricity Market information system.

If you are a Market Participant but not a Dispatching User, you will receive, for each of your offer points, the schedule resulting from the acceptance of the offers/bids that you have submitted.

If you are a Market Participant and also a Dispatching User of an offer point, you will receive a cumulated hourly schedule; this schedule will combine the schedules, if any, resulting from the execution of purchase & sale contracts concluded off the exchange (the so-called physical bilateral contracts) with those resulting from the acceptance of offers/bids submitted for the same offer point by all the Market Participants authorised to submit offers/bids for such point.

24. How do I submit an offer/bid into the MTE?

To submit an offer/bid, you must complete the appropriate form (web form) that you may obtain from the MTE information system (“Invio offerte”-Offer/bid submission menu in the “Mercati”-Markets section); through the web form, you may submit offers/bids for single products.

25. What is the procedure for exercising the option of physical delivery of financial derivatives contracts concluded on IDEX?

The Market Participant may request to exercise the option of physical delivery of monthly financial derivatives contracts only on the information system of Bit/CC&G in accordance with the procedures and within the time limits defined in the respective Regulations.

The request is automatically notified to GME via CC&G.

When receiving the request and before accepting it, GME will ensure that:

- *the requesting Participant has the required and adequate financial guarantees:*

- *for Participants requesting physical delivery-taking - the available amount of the financial guarantees that the Participant has allocated to the MTE/CDE should be at least equal to the value of the delivered energy;*
- *for Participants requesting physical delivery-making - if the delivery is registered on an injection account of the PCE, the available amount of the financial guarantees that the Participant has allocated to the PCE should be sufficient to cover potential CCT charges arising from the delivery and the Dispatching User of the PCE account on which the registration is made should have sufficient guarantees towards Terna;*
- *the Participant requesting physical delivery-making has the required physical margins (availability of energy) on the PCE to pass the technical verifications conducted thereon for registration of the related positions;*
- *the submitted request passes the verification referred to in article 70quinquies, para. 4 of the Electricity Market Rules. Indeed, GME reserves the right to limit the acceptance of requests for exercise of the option, if they are not compatible with the financial resources that GME has allocated for that purpose. To this end, GME will – on a monthly basis and according to the procedures established in the Technical Rules – set a maximum limit to the net balance of requests for delivery-taking and -making which may be registered.*

If the above-mentioned verifications are successful (not successful), GME will notify CC&G of the acceptance (rejection) of the delivery request. If the delivery request is accepted, the requesting Participant will automatically conclude a buy/sell transaction (for the quantity of energy covered by the delivery request), having GME as counterparty, on the CDE platform. At the same time, GME will register the same buy/sell transactions on the electricity accounts that the Participant exercising the option holds on the PCE.

For further information or clarifications, feel free to contact us at info@mercatoelettrico.org