

**GUIDE TO THE  
FORWARD ELECTRICITY ACCOUNT TRADING PLATFORM  
(PCE)**

*(updated as of 1 November 2009)*

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## INTRODUCTION

The *Forward Electricity Account Trading Platform (Piattaforma conti energia a termine - PCE)* is a platform through which operators that have made contracts off the Power Exchange (the so-called bilateral contracts) register their commercial obligations and nominate the related electricity injection and withdrawal schedules that they undertake to execute under the same contracts.

The introduction of the PCE, which replaces the *Bilaterals Platform (PB)*, has increased the flexibility of operators, enabling them to manage the registration of their contracts over medium-long term timescales.

*Gestore dei Mercati Energetici (GME)* manages the PCE in compliance with Art. 16, para. 3, Annex A to AEEG's Decision 111/06, stipulating that *Terna* shall be responsible for registering forward electricity purchases and sales, as well as electricity injection and withdrawal schedules and that, to fulfil this responsibility, it shall - among others - rely on GME.

Therefore, under Art. 16, para. 3, Annex A to AEEG's Decision 111/06, GME developed and manages the PCE in its own name and on behalf of Terna, in accordance with the *Rules Governing the Forward Electricity Account Trading Platform (PCE Rules)* and with the *Technical Rules* that GME issued under criteria of neutrality, transparency, objectivity and competition between operators.

## 1. PARTICIPATION REQUIREMENTS AND ADMISSION PROCEDURE

The PCE is open to **dispatching users** and to parties **authorised** by them<sup>1</sup> that are proficient and competent in the use of Information Technology (IT) or Information Communication Technology (ICT) systems and related security systems or that have employees or assistants meeting the above requirements.

To participate in the PCE, applicants must submit a **participation application** having the format of Annex 1 to the PCE Rules and sign a **participation agreement** in two original copies<sup>2</sup> in the format of Annex 2 to the PCE Rules. If the applicant is a legal person, the participation application must be signed by its legal representative or other duly authorised person and accompanied by a **self-certification stating his/her powers of representation**. If GME already holds the self-certification or other equivalent documentation, the applicant is exempted from submitting it, but should specify such fact upon submission of the application.

Within fifteen days from receipt of the application, after checking whether the submitted documentation is valid and the applicant meets the requirements for participation in the PCE, GME will notify the applicant of the acceptance or rejection of the application. If the submitted documentation is irregular or incomplete, GME will notify the applicant thereof and suspend the 15-day time limit for admission. This time-limit will run again from the time at which GME receives the regular or complete documentation from the applicant.

Upon admission, the applicant acquires the status of **Participant**<sup>3</sup>. This status is by-right attributed to *Acquirente Unico (AU)*, *Gestore dei Servizi Energetici (GSE)* and Terna S.p.A.

All the parties admitted to the PCE are entered into a **List of Participants** that GME administers in compliance with Legislative Decree 196/03 on personal data privacy. For each Participant included in the list, GME will specify (together with other information):

- 1) the code of the electricity accounts owned by the Participant and on which the same Participant may register electricity purchase and sale transactions, as well as injection and/or withdrawal schedules;
- 2) the code of the electricity accounts not owned by the Participant, but on which the same Participant is entitled to register electricity purchase and sale transactions, as he/she has been authorised to do so by the holder of the same accounts;
- 3) the identification code of the offer points in respect of which the Participant is a dispatching user;
- 4) the identification code of the offer points on which the Participant - not holding the related dispatching contract - is entitled to register injection and/or withdrawal schedules, as he/she has been authorised to do so by the owner of the same points.

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<sup>1</sup> In particular, in compliance with art. 17, para. 17.1 of the PCE Rules, the PCE is open to the parties referred to in art. 18, para. 18.1 of Annex A to AEEG's Decision 111/06, i.e. under the latter provision: any dispatching user and any party authorised by the dispatching user to register forward sales and purchases and injection or withdrawal schedules in respect of dispatching points falling under his/her own responsibility.

<sup>2</sup> As per art. 9, para. 9.4 of the agreement. The same clause also requires the applicant to initial each page of the agreement and to affix two final signatures thereto.

<sup>3</sup> Participant means the natural or legal person that is admitted to trading on the PCE.

A list of Participants is also posted on GME's website ([www.mercatoelettrico.org](http://www.mercatoelettrico.org)). For each Participant, the list only reports the full name (or registered name), the place of residence (or registered office) and the operator's identification code assigned by Terna (SDC code)<sup>4</sup>.

## **2. ACCESS TO THE PCE INFORMATION SYSTEM**

Access to the PCE information system takes place through the Internet: users connect to <https://pce.ipex.it/CEUserInterface/> and complete the authentication procedure by entering their **user ID** and **password**.

After admission of the Participant to the PCE, GME will communicate the user ID and password to each of the users that the Participant has specified in the application for participation.

## **3. FEES**

Fees consist of an **access fee**, a **yearly fixed fee** and a **fee per MWh of the registered commercial transactions**.

The amount of the fees is proposed every year by GME and approved by AEEG. The fees currently applied and successfully verified by AEEG (Resolution of 5 April 2007) are as follows:

- access fee: € 1,000;
- fixed yearly fee: € 0;
- fee per MWh of the registered transactions: 0.02 €/MWh.

Participants that, upon admission, already qualify as Electricity Market Participants are not held to pay the access fee.

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<sup>4</sup> The acronym stands for "Sistema Dati Comune" (SDC - Common Data System).

**ACCESS FEE →**

Where applicable, it is invoiced **UPON ADMISSION** of the applicant to the PCE  
(under the modalities and within the time limits that are set out in the Technical Rules)

**YEARLY FIXED FEE →**

Where applicable, it is invoiced, **FOR THE FIRST 12 MONTHS**, as a single payment **UPON ADMISSION** of the applicant to the PCE and, subsequently, every 12 months

(under the modalities and within the time limits that are set out in the Technical Rules)

**FEE PER MWH →**

It is applied separately to each transaction that is registered **IN RESPECT OF THE APPLICABLE PERIODS** belonging to the same invoicing period

(under the modalities and within the time limits that are set out in the Technical Rules)

#### 4. ELECTRICITY ACCOUNTS (CONTI ENERGIA) AND OFFER POINTS

GME assigns to each Participant a number of electricity accounts. On these accounts, the Participant may register both **commercial transactions** of forward electricity sale and purchase and the **related physical** injection and withdrawal **schedules** executing such transactions.

Electricity accounts may be of three types:

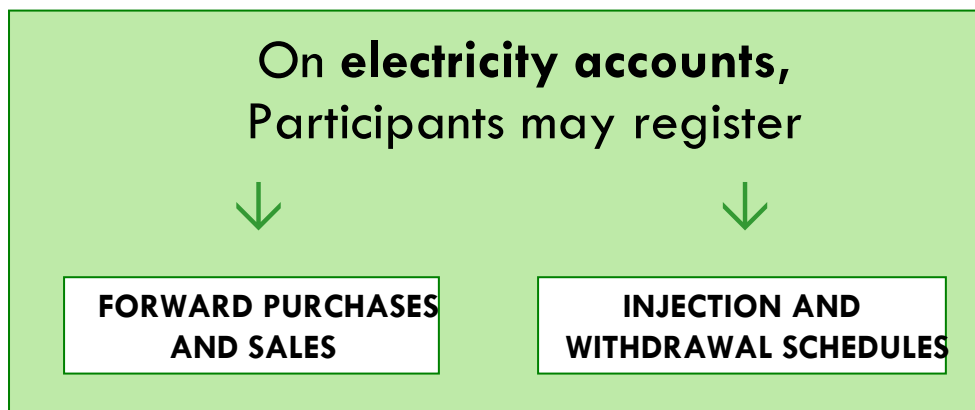
**1<sup>st</sup> type: ELECTRICITY INJECTION ACCOUNT** (CE-IMM), which is associated with injection and mixed offer points, i.e.:

- injection points, corresponding to generating units (UP);
- injection points belonging to neighbouring countries' virtual zones, corresponding to importing units (UPV);
- mixed points, corresponding to pumping units (UPMP)<sup>5</sup>.

**2<sup>nd</sup> type: ELECTRICITY WITHDRAWAL ACCOUNT** (CE-PRE), which is associated with all the withdrawal and mixed offer points, i.e.:

- withdrawal points corresponding to consuming units belonging to geographical zones (UC);
- withdrawal points belonging to neighbouring countries' virtual zones, corresponding to exporting units (UCV);
- mixed points corresponding to pumping units (UPMP)<sup>6</sup>.

**3<sup>rd</sup> type: ELECTRICITY WITHDRAWAL ACCOUNT** (CE-PRE) as per Article 28bis of the PCE Rules, which is not associated with any offer point.



<sup>5</sup> UPMP are considered only for injection.

<sup>6</sup> UPMP are considered only for withdrawal.

## 5. AUTHORISATIONS

With a view to making the operation of the PCE more flexible, two types of authorisations may be granted:

- a PCE Participant holding an electricity account grants to another PCE Participant an authorisation to register commercial transactions on such account (under Art. 24.2 of the PCE Rules);
- a dispatching user (not necessarily a PCE Participant) grants to a PCE Participant an authorisation to register schedules in respect of his/her own offer points (under Art. 24.3).

The authorisation referred to in Art. 24.2 does not transfer the ownership of the account<sup>7</sup>, which is retained by the authorising party. It only assigns to the authorised Participant the right to register purchase and sale transactions on the electricity account for which the authorisation has been granted. Hence, the transactions registered under such authorisation will contribute to determining the net position of the electricity account for which the authorisation has been granted and the holder of the account will have to register the consequent injection and withdrawal schedules.

The authorised Participant must submit the authorisation to GME for validation purposes; the authorisation must be issued in the format posted on GME's website and signed by the legal representative of the authorising party.

With the authorisation granted as per Art. 24.3, a dispatching user authorises a third PCE Participant to register schedules in respect of his/her own offer points. In this instance, GME assigns to the authorised Participant an electricity account that is associated with the offer points for which the authorisation has been granted. The commercial transactions of purchase and sale registered by the authorised Participant on such electricity account will be executed through the injection and withdrawal schedules that the same Participant will register in respect of the offer points for which the authorisation has been granted.

The authorised Participant must submit the authorisation to GME for validation purposes; the authorisation must be issued in the format posted on GME's website and be signed by the legal representative of the authorising dispatching user. The authorisation should specify, among others, the capacity share  $\alpha$  (from 0 to 1) of the offer point that the dispatching user assigns to the authorised Participant. A dispatching user may grant multiple authorisations to different Participants in respect of the same offer point, provided that the sum of the assigned capacity shares  $\alpha$  is smaller than or equal to one.

Thus, each Participant may hold the following electricity accounts:

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<sup>7</sup> For all the authorisations granted under Art. 24.2 of the PCE Rules, the verifications of the technical adequacy with respect to the margins of the electricity account and of the financial adequacy of the guarantees submitted to GME are made on the authorising party, as holder of the same account and negotiating counterparty towards GME.

- a) an electricity injection account (CE-IMM), which is associated with all the injection and mixed points for which the Participant is the dispatching user;
- b) an electricity injection account (CE-IMM) for each dispatching user that has authorised the Participant as per Art. 24.3 of the PCE Rules; this account is associated with all the injection and mixed points for which the authorisation has been granted;
- c) an electricity withdrawal account (CE-PRE), which is associated with all the withdrawal and mixed points for which the Participant is the dispatching user;
- d) an electricity withdrawal account (CE-PRE) for each dispatching user that has authorised the Participant as per Art. 24.3 of the PCE Rules; this account is associated with all the withdrawal and mixed points for which the authorisation has been granted;
- e) an electricity withdrawal account (CE-PRE) which is not associated with any offer point, if the Participant is also an Electricity Market Participant and has submitted a request in accordance with Article 28bis of the PCE Rules.



The latter account has been introduced to give more flexibility to operators that do not have any withdrawal offer point and that, otherwise, would not hold any electricity withdrawal account.

This distribution of accounts ensures that each electricity account is associated with offer points which uniquely belong to a single dispatching user.

**CASE 1: AUTHORISATION UNDER ART. 24.2 OF THE PCE RULES.  
OPERATOR A (ACCOUNT HOLDER) AUTHORISES OPERATOR B**

Registration of commercial transactions			Registration of physical schedules	
CE-IMM Operator A	CE-PRE Operator A		CE-IMM Operator A	CE-PRE Operator A
Operator A and Operator B may register commercial transactions on the electricity account of Operator A	<i>idem</i>		Only Operator A may register physical schedules in respect of units associated with the electricity account of Operator A	<i>idem</i>

**CASE 2: AUTHORISATION UNDER ART. 24.3 OF THE PCE RULES.  
OPERATOR A (DISPATCHING USER) AUTHORISES OPERATOR B  
TO USE ONE OF HIS/HER OWN OFFER POINTS**

Registration of commercial transactions			Registration of physical schedules	
CE-IMM Operator A – dispatching user A	CE-PRE Operator A - dispatching user A		CE-IMM Operator A - dispatching user A	CE-PRE Operator A - dispatching user A
Operator A may register commercial transactions on his/her own electricity account that is associated with the units for which he/she is the dispatching user	<i>idem</i>		Operator A may register physical schedules in respect of units for which he/she is the dispatching user and which are associated with his/her own electricity account	<i>idem</i>
CE-IMM Operator B - Dispatching user A	CE-PRE Operator B Dispatching user A		CE-IMM Operator B – Dispatching user A	CE-PRE Operator B Dispatching user A
Operator B may register commercial transactions on his/her own electricity account that is associated with the units for which Operator A is the dispatching user	<i>idem</i>		Operator B may register physical schedules in respect of units for which Operator A is the dispatching user and which are associated with his/her own electricity account	<i>idem</i>

## 6. MARGINS

For the purposes of the PCE, Terna defines the **step-up and step-down margins of offer points**<sup>8</sup> notifying GME of:

- the step-up margins of offer points corresponding to injection and mixed points (UP, UPMP and UPV);
- the step-down margins of withdrawal points belonging to neighbouring countries' virtual zones and of mixed points (UCV and UPMP).

The step-down margins of withdrawal points belonging to geographical zones (UC) are unlimited.

The step-down margins of injection points (UP and UPV), as well as the step-up margins of withdrawal points (UC and UCV) are assumed to be equal to zero.

Moreover, Terna will also specify the days of validity of the margins.

By using the margins notified by Terna in respect of the offer points, GME calculates the step-up and step-down margins of each electricity account as the sum of the margins of the offer points that are associated with such account.

### ↑↓ MARGINS

Each electricity account has **ONE STEP-UP MARGIN** and **ONE STEP-DOWN MARGIN** defining its available amount

To define the **margin of an electricity account**, a distinction should be made between:

- a) electricity account whose holder is the dispatching user of the offer points associated with the account;
- b) electricity account whose holder is not the dispatching user of the offer points associated with the account, but may use such points under an authorisation received from the dispatching user under Art. 24.3 of the PCE Rules.

In case a), the margin of the electricity account is equal to the summation (extended to all the offer points associated with the account) of the product between the margin of each point assigned by Terna and the difference between one and the sum of the capacity shares of the same point for which authorisations may

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<sup>8</sup> Under the *PCE Rules*, the step-down margins are conventionally assumed to have a negative sign, whereas the step-up margins are assumed to have a positive sign (see also the paragraph on "Sign Conventions").

have been granted to other Participants<sup>9</sup>. Therefore, the margin of the electricity account is equal to the summation of the margins notified by Terna, after deducting the capacity shares that have been assigned under appropriate authorisations.

In case b), the margin of the electricity account is equal to the summation (extended to all the offer points associated with the account) of the product between the margin of the point assigned by Terna and the capacity share of the same point for which an authorisation has been granted to the Participant holding the electricity account<sup>10</sup>.

For Participants that are at the same time Electricity Market Participants, the electricity withdrawal account assigned under Article 28bis of the PCE Rules, although not being associated with any offer point, has a step-up margin of zero and an unlimited step-down margin.

## **7. OPERATION OF THE FORWARD ELECTRICITY ACCOUNT TRADING PLATFORM (PCE)**

On each electricity account, Participants may register commercial transactions of forward electricity sale and purchase. The algebraic sum of the registered transactions<sup>11</sup> will determine the net position of the account, based on which the Participant holding the account will register injection and withdrawal schedules in respect of the offer points associated with the account.

### **1. Electricity purchase and sale transactions may be registered by:**

- ☞ Participant holding the account;
- ☞ Participant authorised by the account holder under Art. 24.2;

### **2. Electricity injection and/or withdrawal schedules may be registered only by:**

- ☞ Participant holding the account with which the offer point is associated.

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<sup>9</sup> Margin of the offer point defined by Terna x (1 –  $\Sigma$  shares  $\alpha$  for which authorisations have been granted to other Participants).

<sup>10</sup> Margin of the offer point defined by Terna x share  $\alpha$  for which the authorisation has been received.

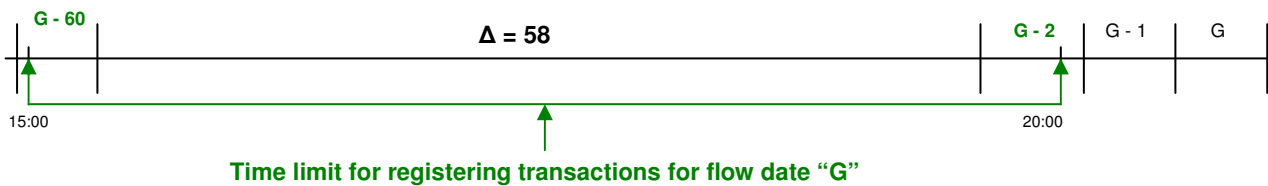
<sup>11</sup> For the purposes of the PCE, sale transactions are assumed to have a negative sign and purchase transactions to have a positive sign.

## 7.1 REGISTRATION OF COMMERCIAL TRANSACTIONS OF FORWARD ELECTRICITY PURCHASE AND SALE

Commercial transactions may be registered during the session that takes place every day (working days and holidays) from 15:00 to 20:00.

Every day, commercial transactions may be registered in respect of the period included between the second and the sixtieth day of flow following the one on which the session takes place.

**Offers/bids: every day from 15:00 to 20:00**



The Participant may request the registration of purchase or sale transactions, regardless of the type of account to which they refer, provided that such transactions meet the adequacy requirements (see below).

For registering a commercial transaction of electricity sale or purchase between two Participants, one of the two (**proposing Participant**) submits a request for registration into the PCE, specifying:

- type of transaction (sale/purchase);
- days of flow and applicable periods in respect of which the transaction is to be registered;
- total amount of electricity covered by the transaction, in respect of each applicable period;
- electricity accounts that the Participant holds and on which the transaction is to be registered;
- quantities allocated to the individual accounts that the Participant holds;
- counterparty Participant of the transaction;
- time limit within which the counterparty Participant has to confirm the transaction;
- matching code of the transaction (to be shared with the counterparty).

The request for registration may be submitted by using the web-form available on the PCE electronic platform or by uploading an xml file.

Through the web-form, Participants may register/confirm/reject transactions falling under one of the following standard profiles that the system will propose:

- **Base-Load** (BSLD), consisting of all the applicable periods of all the days included in the validity period;
- **Peak-Load** (PKLD), consisting of the applicable periods from the ninth to the twentieth day of the working days included in the validity period;

- **Off-Peak** (OFPK), consisting of the applicable periods from the first to the eighth day of the working days included in the validity period and of all the applicable periods of all the non-working days included in the validity period;
- **Week-end** (WEND), consisting of all the applicable periods of the Saturdays and Sundays included in the validity period.

For the time being, transactions having a non-standard profile may not be registered via web-forms.

The request for registering a transaction first undergoes validation, which consists in checking whether it has been issued correctly and is complete with all the required data.

After validation, the request undergoes adequacy verifications, i.e.

- the net position arising on the electricity accounts to which the request refers should be consistent with the account margins (technical adequacy with respect to the margin);
- if the request concerns the registration of a sale in respect of an electricity injection account, the request should be adequately guaranteed towards GME (sufficiency of guarantees towards GME);
- if the request concerns the registration of a sale in respect of an electricity injection account, the request should be adequately guaranteed towards Terna (sufficiency of guarantees towards Terna).

If the adequacy verifications are successful, the request for registering the transaction is forwarded to the **counterparty Participant**. At this stage, the latter Participant may confirm, reject or change the same request by filling in the web-form or sending xml files.

When confirming the request, the counterparty Participant should specify the same quantities of electricity and matching code as the ones indicated by the proposing Participant, as well as the electricity accounts that he/she holds and to which the transaction is to be referred.

The counterparty Participant should submit the confirmation within the time limit specified by the proposing Participant and, anyway, within the end of the session, which takes place on the second previous day with respect to the first day of flow indicated in the transaction.

Also the request of confirmation by the counterparty Participant undergoes validation and adequacy verifications.

If these verifications are successful, the transaction is deemed to be registered.

The sum of the transactions registered on each electricity account will give the net position of the account in each applicable period.

As a result of the technical adequacy verifications with respect to the account margin (see Appendix), an electricity injection account may only have a net position corresponding to a net sale (net position lower than zero) or to zero. Conversely, an electricity withdrawal account may only have a net position corresponding to a net purchase (net position greater than zero) or to zero.

## **FAQs**

### **May a Participant make a commercial transaction with “himself/herself” on the PCE?**

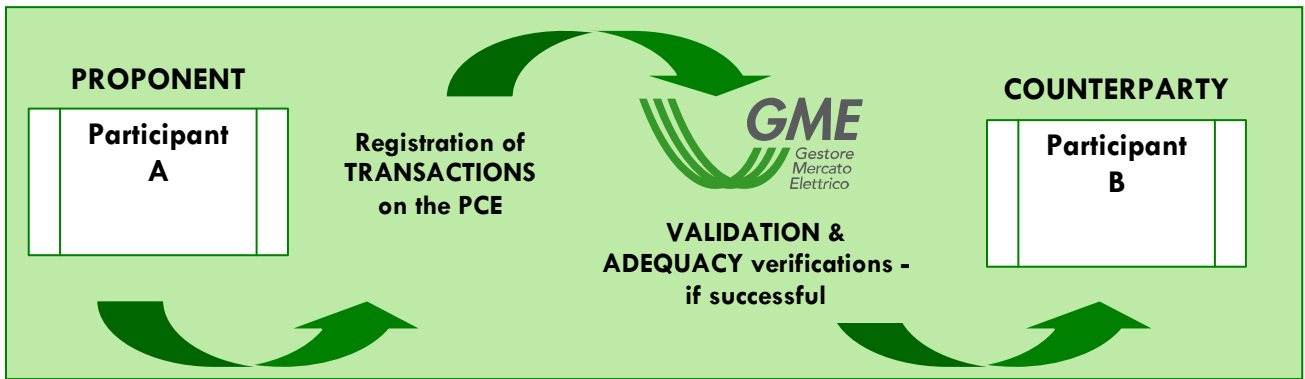
Yes, by making movements on two different accounts that he/she has available. For instance, a Participant may sell electricity from one of his/her injection accounts in order to purchase it on one of his/her withdrawal accounts.

### **May sales be made on both the injection account and the withdrawal account?**

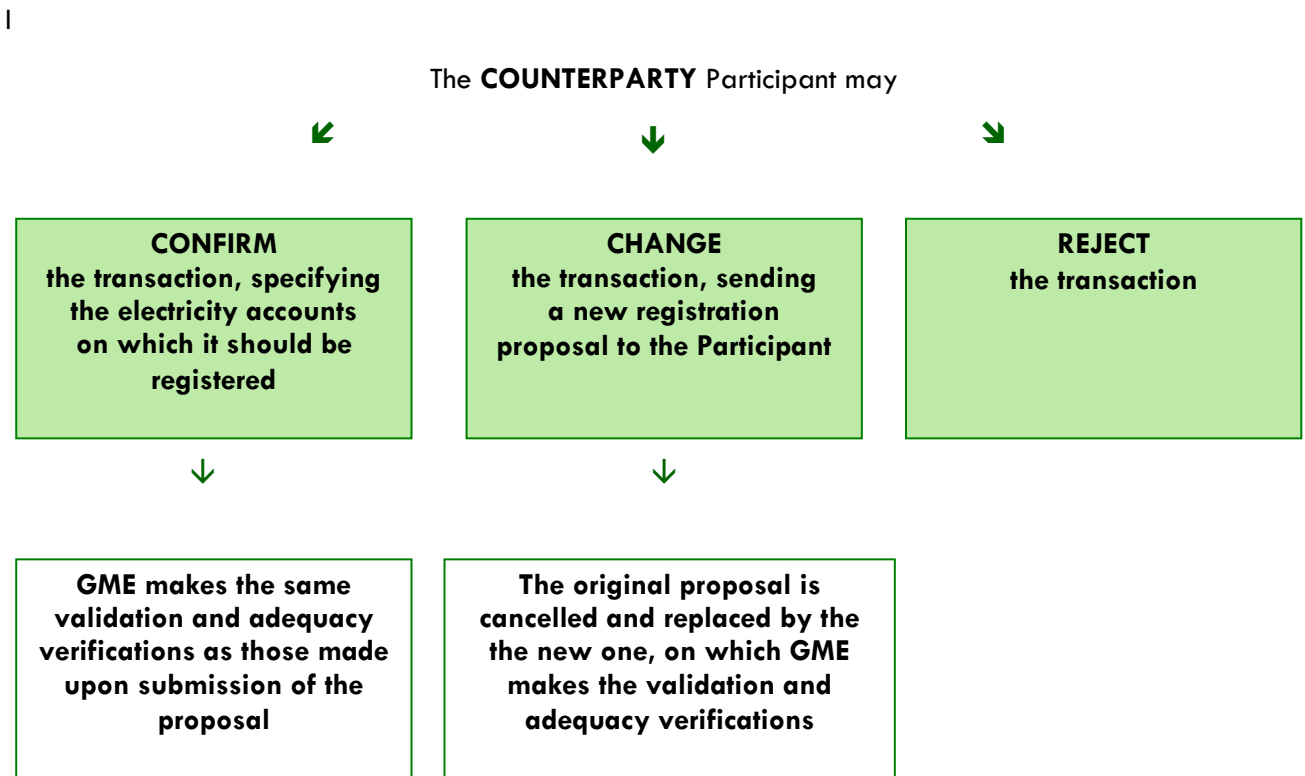
Yes. Through the PCE, a Participant may make sales on both the injection account and the withdrawal account. Obviously, on a withdrawal account, the sale should not exceed the limits of what has been previously purchased. Likewise, on an injection account, the purchase should not exceed the limits of what has been previously sold.

### **When are the requests for registering forward purchases and sales on the electricity accounts checked for adequacy?**

The PCE Rules stipulate that the adequacy verifications are carried out immediately after submission of a request for registration or confirmation of a transaction.



The request for registering a transaction is accepted and forwarded to the counterparty if validation and adequacy verifications are successful



If the counterparty Participant does not make any choice within the time limit specified by the proposing Participant, the request for registering the transaction is deemed to have expired.

## **7.2 REGISTRATION OF SCHEDULES: GENERAL CRITERIA**

At the end of each session for registering commercial transactions, GME determines the net position of each electricity account that the Participant holds, for each applicable period of the second following day.

The net position of an electricity account is given by the algebraic sum of the transactions registered on the account.

The unique and single Participant holding<sup>12</sup> the account may “execute” such position by registering physical schedules of electricity injection/withdrawal in respect of the offer points that are associated with the account.

No schedule may be registered on the electricity withdrawal account referred to in Article 28bis of the PCE Rules, as it is not associated with any offer point.

The request for registering schedules must be submitted into the PCE within 8:30 of the day preceding the day of flow to which the schedule refers.

The request for registering a schedule should specify at least the following data:

- identification code of the offer point to which the schedule refers;
- day of flow;
- applicable period;
- quantity of electricity covered by the schedule;
- price.

If the Participant holding the electricity account is also an Electricity Market Participant, the price may be greater than or equal to zero. If, instead, the Participant is not an Electricity Market Participant, the price should necessarily be set equal to zero<sup>13</sup>.

For each applicable period and each offer point, up to a maximum of four schedules may be submitted.

Upon receipt, the schedules undergo validation, which consists in checking whether they have been issued correctly and are complete with all the required data.

If a Participant that is not an Electricity Market Participant sends a schedule associated with a price greater than zero, the PCE information system will adjust the schedule by imposing a price equal to zero.

Upon the expiration of the time limit for sending the schedules in respect of a day of flow, all the schedules that have been validated undergo adequacy verifications. The schedules which have been deemed to be

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<sup>12</sup> Physical schedules may be registered only by the Participant holding the account, as dispatching user of the points associated with such account, or by a party authorised under Art. 24.3 of the PCE Rules. No physical schedules may be registered by a party authorised under Art. 24.2 of the PCE Rules.

<sup>13</sup> For withdrawal schedules, a price set equal to zero is regarded as **no price limit**.

adequate are sent to the Day-Ahead Market (MGP). In this market, the schedules will be considered in the following way:

- injection schedules will be considered as supply offers with the same quantities and prices as those specified in the schedule;
- withdrawal schedules will be considered as demand bids with the same quantities and prices as those specified in the schedule;

The schedules accepted after the MGP will be “registered” for the purposes of the PCE; no payable or receivable for electricity purchase or sale will accrue to the Participant as a result of the acceptance of the schedules.

The algebraic sum of the net position of the account (lower than zero for the net sale, greater than zero for the net purchase) and of the schedules registered on the account will give the electricity balance of the account.

If the electricity balance is other than zero, it will represent a “deviation from schedule”. Given the sign convention adopted on the PCE<sup>14</sup>, the electricity injection account may have an electricity balance lower than zero (negative deviation from schedule), corresponding to a purchase from the MGP, or equal to zero. Conversely, the electricity withdrawal account may have an electricity balance greater than zero (positive deviation from schedule), corresponding to a sale on the MGP, or equal to zero.

## Requests for registering schedules may be submitted by



**filling in the appropriate forms available  
in the PCE information system (web-forms)**



**sending an XML file**

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<sup>14</sup> For the purposes of the PCE, injection schedules are assumed to have a positive sign, while withdrawal schedules are assumed to have a negative sign.

## **REGISTRATION OF INJECTION SCHEDULES ON THE ELECTRICITY INJECTION ACCOUNT**

Participants holding an electricity injection account may register injection schedules only in respect of the injection and mixed points that are associated with such account.

Upon the expiration of the time limit for registering schedules in respect of a day of flow, the schedules to be registered and which have already been validated undergo adequacy verifications.

For the purposes of these verifications, the schedules are ranked by priority order, taking into account:

- price priority, starting from zero-priced schedules and proceeding by non-decreasing price order (higher priority assigned to lower-priced schedules);
- dispatching priority, as defined in Article 30.7<sup>15</sup> of AEEG's Decision 111/06, if the price is equal;
- priority of time of submission of the request for registering the schedule, if the dispatching priority is equal.

With reference to each applicable period, the schedules are deemed to be adequate if their sum is lower than or equal to the absolute value of the net sale registered on the electricity injection account that is associated with the offer points to which the schedules refer.

If the above verification is not successful, the schedules having a lower priority are deemed to be inadequate and rejected until reaching the amount of the net sale.

The schedules that have been deemed to be adequate are sent to the MGP; for the purposes of this market, the schedules will be regarded as supply offers with the same quantities and price as those quoted in the schedule and possibly adjusted as a result of validation and adequacy verifications.

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<sup>15</sup> Article 30.7 of AEEG's Decision 111/06 stipulates that:

*"If multiple supply offers have been submitted and such offers have the same price, the following priority order shall be applied:*

*a) supply offers by units essential for system security, in the hours when they are defined as absolutely necessary under Article 64;*

*b) supply offers by generating units fed by non-schedulable renewable sources;*

*c) supply offers by generating units fed by renewable sources other than those stated in b) above;*

*d) supply offers by co-generating units; ;*

*e) supply offers by CIP 6/92 generating units, generating units referred to in Legislative Decree 387/03 or Law 239/04 and generating units 74/08;*

*f) supply offers by generating units which are solely fed by national primary fuel sources, for a yearly maximum amount not exceeding fifteen percent of all the primary energy required to generate the electricity to be consumed;*

*g) other supply offers".*

## **REGISTRATION OF WITHDRAWAL SCHEDULES ON THE ELECTRICITY WITHDRAWAL ACCOUNT**

Participants holding an electricity withdrawal account may register withdrawal schedules only in respect of the withdrawal and mixed points that are associated with such account.

Upon the expiration of the time limit for registering schedules in respect of a day flow, the schedules to be registered and which have already been validated undergo adequacy verifications.

For the purposes of these verifications, the schedules are ranked by priority order, taking into account:

- price priority, starting from zero-priced schedules (equivalent to schedules with **no price limit**) and proceeding by non-increasing price order (higher priority assigned to higher-priced schedules);
- priority of time of submission of the request for registering the schedule, if the price priority is equal.

The verifications will be of two types:

- financial adequacy verifications;
- technical adequacy verifications with respect to the net purchase.

Financial adequacy verifications (see Appendix) are carried out when withdrawal schedules have been submitted in respect of mixed points (pumping units) or withdrawal points belonging to a neighbouring country's virtual zone (exporting units).

After the financial adequacy verifications, the technical adequacy verifications with respect to the net purchase are carried out. In each applicable period, the schedules are deemed to be technically adequate if their sum is, in absolute value, lower than or equal to the net purchase registered on the electricity withdrawal account associated with the offer points to which the schedules refer.

If the above verification is not successful, the schedules having a lower priority are deemed to be inadequate and thus rejected until reaching the amount of the net purchase.

The schedules that have been verified to be adequate are sent to the MGP; in this market, the schedules will be regarded as demand bids with the same quantities and price as those quoted in the schedules and possibly adjusted as a result of validation and adequacy verifications.

### **7.3. DEVIATIONS FROM SCHEDULE: GENERAL CRITERIA**

In each applicable period, the net balance of the account will be given by the algebraic sum of the net position of the account and of the schedules registered in respect of the offer points associated with the account.

If this balance is equal to zero, the Participant holding the account has “executed” a physical schedule that is consistent with his/her commercial position; therefore, no “deviation from schedule” will arise.

If, instead, the physical balance is other than zero, a deviation from schedule will arise, since the Participant has “scheduled” to inject or withdraw into/from the grid a quantity of electricity that is lower than the electricity sold or purchased on a forward basis. This deviation from schedule represents a purchase or a sale in the MGP.

Let us analyse the different cases of deviation from schedule which may arise on the electricity injection account and on the electricity withdrawal account.

#### **DEVIATION FROM SCHEDULE ON THE ELECTRICITY INJECTION ACCOUNT**

The deviation from schedule arising on an electricity injection account (negative deviation from schedule) represents a purchase from the MGP. It takes place when the account holder has - for each applicable period - registered injection schedules for a quantity of electricity lower than the absolute value of the net sale.

This purchase due to the deviation from schedule is valued at the National Single Price (PUN) and attributed to:

- the Participant holding the account, if he/she is also an Electricity Market Participant and has sufficient financial guarantees in the Electricity Market (and not on the PCE!!!);
- Terna, if the Participant holding the account is also an Electricity Market Participant but has not sufficient financial guarantees in the Electricity Market (and not on the PCE!!!);
- Terna, if the Participant holding the account is not also an Electricity Market Participant.

In the latter two cases, Terna recoups the cost of the purchase from the dispatching user of the offer points which are associated with the account where the negative deviation from schedule has arisen. If the deviation has arisen on an account whose holder has received an authorisation under Art. 24.3, then the dispatching user from which Terna will recoup the cost of the purchase is a party different from the Participant holding the account.

#### **DEVIATION FROM SCHEDULE ON THE ELECTRICITY WITHDRAWAL ACCOUNT**

A deviation from schedule arising on the electricity withdrawal account (positive deviation from schedule) represents a sale in the MGP. It occurs when the account holder has - for each applicable period - registered withdrawal schedules for a quantity of electricity that, in absolute value, is lower than the net purchase.

This sale due to the deviation from schedule is valued at the National Single Price (PUN) and attributed to:

- the Participant holding the account, if he/she is at the same time an Electricity Market Participant;
- Terna, if the Participant holding the account is not also an Electricity Market Participant.

In the second case, Terna will attribute the sale to the dispatching user of the offer points that are associated with the account where the positive deviation from schedule has arisen. If the deviation from schedule has arisen on an account whose holder has received an authorisation under Art. 24.3, then the dispatching user to which Terna will attribute the sale will be a party different from the Participant holding the account.

The physical balance arising on the electricity withdrawal account referred to in Articles 28bis of the PCE Rules will necessarily be equal to the net position of the account; indeed, as this account is not associated with any offer point, no schedules may be registered thereon.

### **FAQs**

#### **When is the registration of the injection/withdrawal schedule confirmed?**

Participants must await the results of the MGP to be sure that the submitted schedules have been registered.

#### **What is the time limit for registering schedules?**

Injection and withdrawal schedules referring to a day of flow may be sent to the PCE at any time until 8:30 of the day preceding the day of flow to which the same schedules refer.

#### **On the PCE, are the schedules verified for technical adequacy with respect to the margin of the offer point?**

The schedules to be registered on the PCE are not checked for technical adequacy with respect to the margins of the offer points to which they refer. Indeed, the margins of the offer points are used on the PCE only to determine the margin of the electricity account associated with such points.

The technical adequacy of schedules with respect to the margins of offer points is verified in the MGP.

For performing these verifications in the MGP, all the offers/bids (both those corresponding to PCE schedules and those directly submitted into the MGP) that have been submitted in respect of the same offer point are ranked by priority order and are deemed to be technically adequate until reaching the margin of the offer point.

## **8. FEE FOR ASSIGNMENT OF RIGHT OF USE OF TRANSMISSION CAPACITY (CCT)**

Art. 43 of AEEG's Decision 111/06 provides that Participants registering schedules on the PCE in respect of injection points (generating and importing units), mixed points (pumping units) and withdrawal points belonging to neighbouring countries' virtual zones (exporting units) shall pay to GME (if negative) or receive from GME (if positive) the **fees for assignment of rights of use of transmission capacity or transmission capacity fees (CCT)**.

The transmission capacity fee is applied to the Participant holding the account and registering the schedule on the PCE. The fee is equal to the product between:

- the injection or withdrawal schedule (limited to UPMP and UCV);

- the difference between the price of the zone to which the offer point belongs and the National Single Price (PUN).

Therefore, GME will receive/pay the transmission capacity fee that is due from/to the Participant holding the account.

## **9. BILLING, INVOICING AND SETTLEMENT OF PAYMENTS**

Payables and receivables are **billed** on a daily basis. They consist of:

- transmission capacity fee, calculated in compliance with Article 43 of AEEG's Decision 111/06;
- purchases and sales due to deviations from schedules;
- fees due to GME for the service provided.

Based on these calculations, GME will determine the hourly values of the amounts being billed.

The purchases and sales made in the MGP due to deviations from schedules are invoiced and settled in accordance with the same modalities and within the same time limits as those established for the Electricity Market.

The payables and receivables arising on the PCE are only the fees for participation in the PCE and the transmission capacity fees.

For these payables and receivables, the **invoicing period** is the calendar month. Invoices and notifications will be issued in the following time periods:

- within the 14<sup>th</sup> day of the month following the reference month, GME will send to all Participants one or more notifications, specifying the transmission capacity fee that they must pay to or receive from GME;
- within the 14<sup>th</sup> day of the month following the reference month, GME will send to all Participants one or more notifications concerning the fees that they must pay to GME for the MWh covered by the registered transactions;
- within the 6<sup>th</sup> working day of the second month following the reference month, GME will send to each Participant that is in debit towards GME one or more invoices for the transmission capacity fees that he/she must pay to GME;
- within the 6<sup>th</sup> working day of the second month following the reference month, GME will send to each Participant that is in debit towards GME one or more invoices with the fees that he/she must pay to GME for the MWh covered by the registered transactions;
- within the 6<sup>th</sup> working day of the second month following the reference month, each Participant that is in credit towards GME will send to GME one or more invoices for the transmission capacity fees that he/she must receive from GME itself.

The invoices and notifications will specify at least the following data, where applicable:

- quantities (in MWh) of the registered transactions and schedules;
- price at which the quantities have been valued;
- fees for each MWh of the registered transaction;
- taxes applied;
- total amount;
- applicable period to which the individual transaction refers.

With regard to the **settlement of payments**, GME will determine the net position of each Participant towards GME itself, by offsetting the amounts, including VAT, which refer to the same invoicing period and to:

- the transmission capacity fee that the Participant must pay to GME;
- the transmission capacity fee that GME must pay to the Participant.

This computation excludes the amounts of the fees per MWh covered by each transaction that is registered on the PCE, as well as those concerning deviations from schedule.

Payments will be settled in the following time periods:

- within the 10<sup>th</sup> working day of the second month following the reference month, GME will send to each Participant the balance to be settled (obtained by offsetting the payable and receivable transmission capacity fees) based on which payments will be made;
- on the 15<sup>th</sup> working day of the second month following the reference month, within 10:30, all Participants that are net debtors, except AU, will pay the amounts due;
- on the 16<sup>th</sup> working day of the second month following the reference month, within 10:30, if AU is a net debtor, it will pay the amounts due;
- on the 16<sup>th</sup> working day of the second month following the reference month, Participants will pay to GME the amounts due for fees for the MWh covered by the registered transactions;
- on the 16<sup>th</sup> working day of the second month following the reference month, GME will pay the amounts due to its net creditors.

## **10. GME'S GUARANTEE SYSTEM**

To participate in the PCE, Participants that may acquire debit positions for transmission capacity fees towards GME are required to post adequate financial guarantees.

Therefore, the following Participants are held to post guarantees:

- holders (dispatching users or parties authorised under Art. 24.3 of the PCE Rules) of injection and/or mixed points (generating, pumping and importing units) that register sale transactions on the respective electricity injection account (these transactions give rise to a net sale which may be "executed" by registering schedules in respect of injection points to which transmission capacity fees are applied);

- holders (dispatching users or parties authorised under Art. 24.3 of the PCE Rules) of mixed points (pumping units) and/or consuming points belonging to neighbouring countries' virtual zones (exporting units) that register withdrawal schedules in respect of such offer points, to which transmission capacity fees are applied.

Participants that do not hold injection or mixed points and/or consuming points of neighbouring countries or Participants that hold such points but do not intend to register sale transactions on electricity injection accounts or to register withdrawal schedules in respect of mixed points and consuming points of neighbouring countries are not required to post a financial guarantee to participate in the PCE.

The guarantees required for participation in the PCE must be submitted in the form of **first-demand bank guarantees** in the format annexed to the PCE Rules. The guarantee must be issued by banks having a long-term rating not lower than BBB- on Standard & Poor's and Fitch's scale, or BAA3 on the scale of Moody's Investor Service.

In case of need, the Participant may also post a guarantee in favour of GME in the form of a non-interest-bearing cash deposit.

Moreover, to cover financial obligations arising on the PCE, **Participants that are at the same time Electricity Market Participants** may use both the first-demand bank guarantee posted in the Electricity Market in the formats annexed to the Integrated Text of the Electricity Market Rules (Annex 3 and Annex 7) and the amount of the non-interest-bearing cash deposits possibly made into the account held by GME with the bank in charge of its treasury services.

In this case, for the Participant opting to use the guarantees posted in the Electricity Market (both in the form of a first-demand bank guarantee and in the form of a non-interest bearing cash deposits), the modalities for autonomously allocating the amount for covering payables arising from the PCE shall be defined by the Technical Rules.

At any rate, the amount of the guarantees must be sufficient to cover the payment of the amounts due and not yet settled, as well as of future potential payables. For the modalities of determination of the guaranteed amount, the reader is referred to the Appendix.

## SIGN CONVENTIONS

For transactions on the PCE, use is made of the following sign conventions:

- Step-up margins  $> 0$
- Step-down margins  $< 0$
- Sale transaction  $< 0$
- Purchase transaction  $> 0$
- Injection schedule  $> 0$
- Withdrawal schedule  $< 0$
- (Sales + Purchases) = Net position of the account
- For the electricity injection account: sales + purchases = net position  $\leq 0 \rightarrow$  net sale
- For the electricity withdrawal account: sales + purchases = net position  $\geq 0 \rightarrow$  net purchase
- Net position + schedules registered on the account = physical balance of the account (deviation from schedule)
- For the electricity injection account: net sale + injection schedules = physical balance  $\leq 0 \rightarrow$  purchase from MGP
- For the electricity withdrawal account: net purchase + withdrawal schedules = physical balance  $\geq 0 \rightarrow$  sale to MGP

## ***Appendix: Technical adequacy verifications with respect to the margins of the electricity account***

Requests for registration and confirmation of commercial transactions are checked for technical adequacy; in other words, the net position of the electricity account arising from the registration of the request should be consistent with the margins of the account.

To this end, for each request for registration and confirmation of a purchase transaction in each applicable period, GME will ensure that:

- (in the case of a transaction pertaining to an electricity withdrawal account) the algebraic sum of the net position of the account, of the purchase transactions already deemed to be adequate but not yet confirmed and of the purchase transaction to be registered is lower than or equal to the absolute value of the step-down margin of the account<sup>16</sup>;
- (in the case of a transaction pertaining to an electricity injection account) the algebraic sum of the net position of the account, of the purchase transactions already deemed to be adequate but not confirmed and of the purchase transaction to be registered is lower than or equal to zero.

For each request for registration and confirmation of a sale transaction in each applicable period, GME will ensure that:

- (in the case of a transaction pertaining to an electricity injection account) the algebraic sum of the net position of the account, of the sale transactions already deemed to be adequate but not yet confirmed and of the sale transaction to be registered is, in absolute value, lower than or equal to the step-up margin of the account;
- (in the case of a transaction pertaining to an electricity withdrawal account) the algebraic sum of the net position of the account, of the sale transactions already deemed to be adequate but not yet confirmed and of the sale transaction to be registered is greater than or equal to zero.

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<sup>16</sup> For electricity withdrawal accounts that are associated with at least one withdrawal point belonging to a geographical zone (having an unlimited step-down margin) and for the electricity withdrawal accounts referred to in Article 28bis of the PCE Rules, this verification is always successful.

## ***Appendix: Adequacy of financial guarantees towards GME***

If a Participant wishes to request or confirm a sale transaction in respect of an electricity injection account, GME will carry out adequacy verifications in order to check whether the Participant has sufficient financial guarantees to cover his/her potential debit exposure towards GME arising from such transaction.

The registration of sale transactions on electricity injection accounts will contribute to determining a net selling position on such accounts. The Participant holding the account may execute this position by registering injection schedules in respect of the injection points that are associated with the same account.

As a transmission capacity fee is applied to the registered injection schedules, GME will check - upon registering the sale transactions - whether the Participant holding the account has sufficient financial guarantees to cover the transmission capacity fee which may result from the subsequent registration of the injection schedules.

With a view to assessing the exposure in terms of transmission capacity fee arising from the registration of sale transactions on electricity injection accounts (and of subsequent schedules), GME will calculate an estimated transmission capacity fee at which such transactions will be valued:

The estimated transmission capacity fee is equal to the greater value between:

- 1 €/MWh;
- weighted average of the transmission capacity fees recorded from the thirteenth to the second previous month with respect to the one in which the transaction is being registered.

In order to make the above verification for each Participant, GME will determine the available amount of the financial guarantee, for each day covered by the transaction, as the algebraic sum of:

- the sum of the guarantees (bank guarantees and/or deposits) posted by the Participant<sup>17</sup> and valid for that day;
- the net debit<sup>18</sup> for the transmission capacity fees of the previous months not yet settled and covered by the guarantees that are valid for that day;
- for all the days of the current month on which the MGP has already taken place, the net debit or the net credit<sup>19</sup> for transmission capacity fees, obtained as the sum of all payables and receivables for transmission capacity fees;
- for all the days on which the MGP has not yet taken place, the net debit obtained as the product between the net position of the injection accounts held by the Participant and the estimated transmission capacity fee covered by the guarantees that are valid for that day;
- for all the days on which the MGP has not yet taken place, the net debit obtained as the product between the sale transactions pertaining to electricity injection accounts held by the Participant

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<sup>17</sup> The amount of guarantees is assumed to have positive sign.

<sup>18</sup> The net debit is assumed to have a negative sign.

<sup>19</sup> The net credit is assumed to have a positive sign.

(already deemed to be adequate and not yet confirmed) and the estimated transmission capacity fee covered by the guarantees that are valid for that day;

- the net debit obtained as the product between the sale transactions to be registered and the estimated transmission capacity fee.

The amounts listed above are increased by VAT (at the applicable rate) and by one per cent (penalty for late payment), where applicable.

If the available amount of the financial guarantee remains greater than zero, the request for registration is deemed to be adequate; otherwise, it is rejected.

No financial adequacy verification is made on requests for registering transactions on electricity withdrawal accounts. Indeed, the net buying positions resulting from these transactions are supposed to be executed through the registration of withdrawal schedules in respect of withdrawal points belonging to geographical zones to which no transmission capacity fee is applied.

Nevertheless, if a Participant requests the registration of a withdrawal schedule in respect of a mixed point (pumping unit) and/or a consuming point belonging to a neighbouring country's virtual zone (exporting unit), the adequacy verification will be similar to the one made for sale transactions in respect of injection accounts. Also in this case, for each day of the schedule, GME will determine the available amount of the financial guarantee as the algebraic sum of:

- the sum of the guarantees (bank guarantees and/or deposits) posted by the Participant and valid for that day;
- the net debit for the transmission capacity fees of the previous months still unsettled and covered by guarantees that are valid for that day;
- for all the days of the current month on which the MGP has already taken place, the net debit or the net credit for transmission capacity fees, obtained as the sum of all payables and receivables for transmission capacity fees;
- for all the days on which the MGP has not yet taken place, the net debit obtained as the product between the net position of the injection accounts held by the Participant and the estimated transmission capacity fee covered by the guarantees that are valid for that day;
- for all the days on which the MGP has not yet taken place, the net debit obtained as the product between the sale transactions pertaining to the electricity injection accounts held by the Participant (already deemed to be adequate and not yet confirmed) and the estimated transmission capacity fee covered by the guarantees that are valid for that day;
- for all the days on which the MGP has not yet taken place, the product between the withdrawal schedule to be registered and the estimated transmission capacity fee.

If the available amount of the financial guarantee remains greater than zero, the request for registration is deemed to be adequate and the schedule is sent to the MGP; otherwise, it is rejected.

For verifying the adequacy of withdrawal schedules in respect of withdrawal points belonging to neighbouring countries' virtual zones, GME may determine an estimated CCT different from the one applied to the registration of transactions.

	<b>CE-IMM – Electricity Injection Account</b>	<b>CE-PRE – Electricity Withdrawal Account</b>
Registration of sale	<p>1) <math> \text{net sale already registered} + \text{adequate but not yet confirmed sales} + \text{sale to be registered}  \leq \text{step-up margin of the account}</math></p> <p>2) <math> \text{net sale already registered}  +  \text{adequate but not yet confirmed sales}  +  \text{sale to be registered}  * \text{CCT}_{Sr} \leq \text{residual guarantee towards GME}</math></p> <p>3) <math> \text{net sale already registered}  +  \text{adequate but not yet confirmed sales}  +  \text{sale to be registered}  * \text{PSbil}_{St} \leq \text{residual guarantee towards Terna}</math></p>	<p><math> \text{net purchase already registered}  +  \text{adequate but not yet confirmed sales} + \text{sale to be registered}  \geq 0</math></p>
Registration of purchase	<p><math>\text{net sale already registered} + \text{adequate but not yet confirmed purchases} + \text{purchase to be registered} \leq 0</math></p>	<p><math>\text{net purchase already registered} + \text{adequate but not yet confirmed purchases} + \text{purchase to be registered} \leq  \text{step-down margin of the account} </math></p>
Time-limit for nominating injection schedules	<p><math>\Sigma \text{ injection schedules} \leq  \text{net sale} </math></p>	not submittable
Time-limit for nominating withdrawal schedules	not submittable	<p>1) <math> \Sigma \text{ withdrawal schedules}  \leq \text{net purchase}</math>                  2) For UPMP and UCV: <math> \text{Nominated schedule}  * \text{CCT}_{St} \leq \text{residual guarantee towards GME}</math></p>

This document has been prepared to provide all interested parties with general information about the operation of the PCE, also on the basis of questions that GME receives every day.

For additional information, write to [info@mercatoelettrico.org](mailto:info@mercatoelettrico.org) or contact us at **+39-06 80121**.

For details about the process which has led to the issuing of the PCE Rules, you may download the following presentations from GME's website:

*“Operation of the Forward Electricity Account Trading Platform (PCE)”*

Presentation of 26 July 2006 by GME's Markets

*“Forward Electricity Account Trading Platform: Guarantee and Settlement-of-Payment System”*

Presentation of 26 July 2006 by GME's Markets

*“Il Regolamento della Piattaforma dei Conti Energia a Termine definito a seguito della consultazione con gli operatori e delle delibere AEEG n. 111/06 e n. 253/06”*

*(PCE Rules issued after consultation with operators and AEEG's Decisions 111/06 and 253/06 – available in Italian only)*

Presentation of 10 and 11 January 2007 by GME's Markets

*“Dalla Piattaforma dei Bilaterali alla Piattaforma dei Conti Energia: cosa cambia per gli operatori”*

*(From the Bilaterals Platform to the Forward Electricity Account Trading Platform: What Changes for Operators – available in Italian only)*

Presentation of 20 and 22 March 2007 by GME's Markets.