



Consultation document no. 03/2017

**Platform for the management of auctions for the
allocation of regasification capacity**

1. Foreword

By Resolution 660/2017/R/GAS of 28 September 2017 (hereinafter: Resolution 660/2017/R/GAS), the Authority for the Electricity, Gas and Water (AEEGSI) has reformed the provision of regasification capacity through the introduction of auction-based market mechanisms in place of previous allocation procedures carried out by regasification companies in compliance with the principle of priority access and *pro-rata*.

In applying this reform, AEEGSI has established that regasification companies can access the services offered in this area by the Gestore dei Mercati Energetici S.p.A. (GME) for the management of auction-based procedures and that, to this purpose, GME shall define, with the support of the regasification companies, a proposal for the management of such services to be submitted to the Authority's approval.

In order to provide the interested parties with well-rounded view of the new capacity allocation methods, this document shows - as outlined in the proposals for modification of the regasification codes prepared by the regasification companies wishing to use GME services - a description of the access and operation modalities of the existing market platform, which will be organized and managed by GME, for the carrying out of regasification capacity allocation auctions.

All interested parties will be able to make their comments about the content of this document.

Such comments must be submitted, in writing, to GME - **Governance**, not later than **12 January 2018** namely the end of this consultation, by one of the following methods:

- e-mail: info@mercatoelettrico.org
- fax: **06.8012-4524**
- post: **Gestore dei mercati energetici S.p.A.**
Viale Maresciallo Pilsudski, 122 - 124
00197 – Rome

Parties wishing to safeguard the confidentiality or secrecy of all or part of the documentation sent shall indicate which parts of their documentation are to be considered confidential.

2. The auction management platform for the allocation of regasification capacity

The reform of the modalities for the allocation of regasification capacity - prepared by AEEGSI with Resolution 660/2017/R/GAS and included in the *Integrated text of the provisions on guarantees of free*

access to the regasification service of liquefied natural gas (TIRG), adopted in the annex of the same resolution (Annex A to Resolution 660/2017/R/GAS) - provides that regasification companies shall allocate:

- available regasification capacity (primary capacity), or made available by users (secondary capacity under Article 8, paragraphs 8.2 and 14 of the TIRG) at terminals regulated for periods equal to or greater than the thermal year, through the open ascending auction mechanism, according to the model described in Article 17 of EU Regulation No. 459/2017 (**multi-annual and annual regasification capacity**);
- available regasification capacity (primary capacity), or made available by users (secondary capacity under Article 8, paragraphs 8.2 and 14 of the TIRG) for the current thermal year, through the "pay as bid" trading method (**capacity during the thermal year**);
- the capacity that may still be available as a result of the performance of the last tender procedure for its allocation to the party who first applied for it, according to a criterion of "first as first served" (**regasification capacity no longer available in the auction**);

and that, for the management of the aforesaid allocation procedures, the same regasification companies may access the services offered by the Gestore dei Mercati Energetici (...), pursuant to art. 5, paragraph 5.11 of the TIRG.

In pursuance of the above provisions, GME will provide a dedicated IT platform for the management of the allocation procedures (**PAR – Platform for the Allocation of Regasification capacity**) - which each regasification company can voluntarily join to in order to allocate its regasification capacity - defined, for purely functional aspects, in accordance with AEEGSI detailed requirements set out in the aforementioned Resolution 660/2017/R/GAS and its TIRG.

The operating rules of the PAR platform, as subsequently described in its main contents, will be the subject of a specific Operating Rules that will be submitted, before its adoption, to the approval of AEEGSI in accordance with Article 5 , paragraph 5.11 of the TIRG.

2.1. Access to the PAR Platform

Parties wishing to participate in the auction for the allocation of regasification capacity are required to be accredited to GME by submitting a specific participation application to the platform according to the terms and conditions that will be provided for this purpose in the Rules of the Platform and in the relevant Technical Rules.

In general, parties with adequate experience and competence in the use of IT systems and related security systems, or with employees and auxiliaries with such experience and competence, may participate in the platform.

To this end, in order to gain access to the platform, there is no link between the requirements that will be requested by GME and those indicated in both AEEGSI Resolution 660/2017/R/GAS and regasification codes of each company that will be required and verified, in continuity with the current structure, by the regasification companies themselves.

According to the usual approach adopted by GME in terms of participation in the markets/platforms managed by GME itself, after the successful conclusion of the participation application procedure, the participant will be able to access the platform by means of specific procedures designed to ensure the recognition of the participant as well as the authenticity and confidentiality of operations carried out.

In this regard, the operation within the platform, or the participation in auctions, will only be allowed if the participant fulfills the requirements set and verified by the regasification companies. To this, as described in the next paragraphs of this document, the regasification company will provide GME with the list of parties allowed to participate in the auction (hereinafter: PAR users).

Finally, with the exclusive reference to the launch of the new platform, GME, in order to favor the widest possible participation by the interested parties, will guarantee the coordination between the participation procedures and the auctions.

2.2. PAR platform access fees

The participation in the PAR platform is not subject to the application of fixed and variable fees for participants neither for access to the platform nor for the trading activity carried out on the same platform.

2.3. Functioning of the PAR Platform

The ideal market design entails a PAR platform divided in three operation segments corresponding to the three regasification companies that may request the use of services to allocate regasification capacity to GME.

Each operation segment, which will only be activated if the corresponding regasification company opts to use the services offered by GME, is in turn divided in many order books that can be individually activated (at the request of the company itself) and each one is dedicated to the single product being traded.

Therefore, within each segment, taking into account the functional specificities of its regasification terminal, order books may be managed and used to allocate:

- ***Multiannual and annual regasification capacity; (only applicable to regulated Terminals)***
- ***Regasification capacity during the thermal year;***
- ***Regasification capacity no longer available in the auction.***

On the PAR platform, GME does not play the role of central counterparty for the allocation procedures and therefore the participant is not required to pay any financial guarantee to GME to participate in the auctions; this aspect, as described below, remains in the exclusive sphere of competence of the regasification company. Due to its role of a mere platform manager, GME, within the scope of the auction procedure management activities, will only verify the technical validity and the financial adequacy of the bids/offers submitted by participants, the latter - in particular - on the basis information provided by the regasification company.

2.3.1. Auctions for the allocation of the multi-year and annual regasification capacity

For the allocation of the **multi-year and annual regasification capacities** referred to in Article 5 of the TIRG, GME allows the regasification company (Terminal), within the relative order book activated in the specific PAR segment of the Terminal, to allocate the aforesaid capacities, according to the mechanism of the "open ascending auction" as per art. 17 of the EU Regulation no. 459/2017, in compliance with the time limits envisaged in the relevant regasification Code and notified by the Terminal Manager to GME. To this end, GME:

- receives from the regasification company:
 - the specifications relating to the capacities that will be allocated, as well as any other information that will be deemed useful for the allocation of said capacities;
 - the list of the names of the parties allowed to participate in the auction, with the indication, for each one of them, of the information defined by the regasification company, necessary to verify the coverage of the exposure deriving from the possible award of the auction;
- before the beginning of the auction, makes available:
 - the specification of the auctioned product;
 - the relevant reserve price and the corresponding "high price step" and "low price step" determined by the regasification company on the basis of the criteria identified by the AEEGSI with specific provision. In the case of allocation of secondary capacities, as per Articles. 8, paragraph 8.2 and 14, of the TIRG, the relative reserve prices will be calculated by the participants who make such capacity available;
- allows participants admitted to the PAR to submit bids/offers, provided that the following conditions are met:
 - they are included in the list of the names of the PAR authorized users sent by the regasification company;

- the exposure coverage deriving from the possible awarding on the basis of the information defined by the regasification company has been positively verified;
- determines the results of the auction by applying, where the auction also relates to the provision of secondary capacity as per Articles. 8, paragraph 8.2 and 14 of the TIRG, the criterion of priority referred to in article 5, paragraph 5.12, of the TIRG in the application terms defined by the AEEGSI or by carrying out:
 - a first run dedicated to the allocation of primary capacity;
 - subsequent runs for each of the secondary redelivered capacities. These following runs (for the allocation of the secondary capacity) will be carried out by GME according to the order of priority of the increasing reserve price (therefore, starting from the secondary capacities issued at a lower reserve price). In the case of secondary capacity slots issued at equal reserve prices, the relevant runs will be carried out by GME according to the order of priority with which the beneficiaries have issued the capacity to the regasification companies.
- notifies the participants of the awarding or the non-awarding, specifying in this latter case the reason;
- unless otherwise provided by AEEGSI, it publishes, in aggregate and therefore anonymous form on its website, the results of the auction procedure carried out and, in the case of successful allocation, the awarded capacity, the allocation price and the number of beneficiaries;
- provides the regasification company with an information flow containing the outcome of the award, or the names of the winning bidders, the quantities awarded and the related allocation prices.

On the basis of these information flows, the regasification company will proceed, among other things, to manage the invoicing and payments related to the allocated capacity.

Auction outcomes are binding only between the winning participant and the regasification company. The obligations arising from the allocation of the regasification capacity are defined by the regasification company as part of its Regasification Code, as well as in the documentation referred to therein.

2.3.2. Auctions for the allocation of regasification capacity during the thermal year

For the allocation of the **regasification capacity during the thermal year** referred to in Article 6 of the TIRG, GME, according to the timetable defined by the regasification company (Terminal), allows within the relevant order book activated in the relevant PAR segment of the Terminal, the allocation of aforesaid

capacities through the award of products, according to the *pay as bid* mechanism, which, bearing in mind the operating characteristics of the Terminal, may be offered with or without indication of the precise date of the single unloading.

For **auctions concerning products WITHOUT indication of the exact dates of the individual unloading**, the product allocated, even if made up of multiple slots, will be considered as single, regardless of the time of the single unloading (slot) covered in that product. Ex: for a standard month in which four slots are offered, the auction will be carried out **WITHOUT** a single indication of the date of each slot.

As for the carrying out of auctions, GME

- receives from the regasification company:
 - the specifications relating to the capacity to be allocated, such as:
 - reference period;
 - number of slots for the reference period, specifying:
 - Primary Capacity Slots (P);
 - Secondary Capacity Slots (S).
 - reserve price of capacity P. This price will be determined by the regasification company on the basis of the criteria identified by AEEGSI with a specific measure - in respect of which GME will maintain the confidentiality as provided for by AEEGSI;
 - any ancillary cost¹
 - Indication about the programmability (i.e. nomination) of the unloading dates on the PAR.

For the secondary capacity slots, the regasification company will also communicate to GME, in addition to the number of slots that are being provided, the corresponding names of users admitted to the PAR who have requested the provision of such capacities. The S capacity reserve price will be notified to the GME directly by the participants by means of a special section provided in the reserved PAR area of the participant in question. As for the **reserve price of the secondary capacity**, unless otherwise provided by AEEGSI, the same disclosure regime for the primary reserve price shall apply;

- the list of the names of the authorized users admitted to the PAR, indicating, in correspondence with each one, the relevant information, defined by the regasification

¹ The disclosure of this information is envisaged only if the regasification company requires GME to check the participant's exposure coverage - deriving from any award in the auction of reference - with respect to an amount of the guarantee, also notified by the Terminal, which also covers such ancillary costs.

company, necessary to verify the coverage of the exposure deriving from any award in the reference auction²;

- makes the particulars of the auctioned product available, such as:
 - reference period;
 - number of slots for the reference period
 - in the case of allocations for which it is possible to program the unloading dates on the PAR, it allows in a special section of the same PAR, the indication of preferences on available unloading dates, in accordance with the principles established by the relevant terminal manager in its regasification code (i.e. nomination criteria);
- allows the acceptance of the bids/offers of participants admitted to the PAR for which the following conditions are met:
 - they are included in the list of names provided by the regasification company;
 - the exposure coverage deriving from the possible award, based on the information defined by the regasification company, has been positively verified
- determines the results of the auction based on the pay as bid mechanism. In particular,
 - in the event of allocation **of primary capacity**:
 - GME, given the reserve price notified by the regasification company, will define a single order of merit and will award a number of bids/offers whose total quantity is equal to the number of slots included in the product being allocated, starting from the purchase proposal with the highest price compared to the reserve price. Please note that:
 - the allocation price of each slot will be that of the purchase offer (see Art 6.4 TIRG) and in the case of purchase offers with the same offer price, the one with the time priority of submission will be allocated.
 - in the event of programmability of the unloading dates on the PAR, the specific operating procedures envisaged for each regasification company will be in line with the planning criteria for the unloading dates (nomination criteria) envisaged in the relevant regasification codes.

² Depending on the choices made by the regasification company, this information may include: 1) the amount of the guarantee available to the participant participating in the auction, on which GME would carry out the adequacy checks, verifying that the potential counter value of the offered capacity, including any ancillary cost indicated by the same Terminal, is covered by the amount of the available guarantee in the measure foreseen by the Terminal; 2) the maximum number of slots that can be allocated to each user, on which GME would perform the adequacy checks, verifying that the number of slots offered by the participant is lower than or equal to the maximum number of slots that can be allocated to the same participant.

- in the case of allocation of **primary capacity and secondary capacity** (as per articles 8, paragraph 8.2 and 14 of the TIRG), GME shall apply the criterion of priority referred to in Article 6, paragraph 6.5, of the TIRG according to the terms defined by the AEEGSI, by carrying out:
 - a first run of the auction, single for the number of primary capacity slots, for which it will consider among all the purchase proposals received those compatible³ with the reserve price of the primary capacity. For this first run, GME, given the reserve price notified by the regasification company, will define a single order of merit and will award a number of offers whose total quantity is equal to the number of primary capacity slots, starting from the proposal of purchase with the highest price compared to the reserve price. Please note that:
 - the allocation price of each slot will be that of the purchase offer and in the case of purchase offers with the same price, the one having priority time will be allocated;
 - in the event of programmability of the unloading dates on the PAR, the specific operating procedures envisaged for each regasification company will be in line with the planning criteria for the unloading dates (nomination criteria) envisaged in the relevant regasification codes.
 - a second run for the secondary capacity, for which it considers among all the purchase offers received for the same auction, net of those already matched in the first run, those compatible with the reserve price indicated for the secondary capacity. In the case of multiple secondary capacity slots, also issued at different reserve prices, GME will carry out as many following runs as the number of the secondary slots still to be allocated. Such following runs (for the allocation of secondary capacity) will be carried out by the GME according to the order of priority of increasing reserve price (starting, therefore, from secondary capacities issued with lower reserve price). In the case of secondary capacity slots issued at equal reserve prices, the relevant runs will be carried out by GME according to the order of priority with which the beneficiaries have issued the capacity to the regasification companies. Please note that also in this case:
 - the allocation price of each slot will be the one of the purchase offer and in the case of purchase offers with the same offer price, the one having priority time will be allocated;

³ Compatible offers are those with a price greater than or equal to the reserve price.

- in the event of programmability of the unloading dates on the PAR, the specific operating procedures envisaged for each regasification company will be in line with the planning criteria for the unloading dates (nomination criteria) envisaged in the relevant regasification codes.
- GME shall notify the winning bidder of the successful award and the remaining users of the non-award, specifying, in the latter case, if the non-award is due to:
 - a negative result of the checks on the exposure coverage deriving from any award;
 - an offered price that was:
 - not compatible with the reserve price (offered price lower than the reserve price);
 - higher than the reserve price, but lower than the award prices;
- in the case of allocation with **programmability of the unloading dates on the PAR**, it will also inform the participants of the results nomination activities;
- unless otherwise provided by the AEEGSI, GME shall publish on its website, anonymously, the outcome of the auction carried out and in the event of a successful allocation: the allocated capacity and the allocation price;
- GME shall provide the regasification company with an information flow containing the outcome of the award, or the names of the winning participants and the related award prices as well as, in the case of allocations with programmability of the unloading dates on the PAR, the results of the nomination activities.

Based on these information flows, the regasification company proceeds, among other things, to manage invoicing and payments related to the awarded capacity.

With regard to the **auctions relating to products WITH indication of the specific dates of the individual unloading s**, the single product allocated corresponds to the single unloading and, therefore, GME will organize and carry out the auction with a single run for each single unloading (Ex: in case of allocation of 4 or 2 slots **WITH** a single date, GME will carry out 4 or 2 separate auctions, with the corresponding orders of merit).

To this end, GME:

- receives from the regasification company:

- the particulars relating to the capacity to be allocated, such as:
 - reference period;
 - number of slots for the reference period, specifying:
 - Primary Capacity Slots (P);
 - Secondary Capacity Slots (S).
 - reserve price of capacity P. This price will be determined by the regasification company on the basis of the criteria identified by AEEGSI with a specific measure - in respect of which GME will **maintain the confidentiality** as provided for by AEEGSI;
 - any ancillary cost⁴

With regard to secondary capacity slots, the regasification company shall also notify GME of the corresponding names of the users admitted to the PAR platform who have requested to issue the abovesaid capacity. The reserve price of capacity S will be notified to GME directly by the participants using the appropriate form available in the PAR section reserved for the participant in question. For the **reserve price of the secondary capacity**, unless otherwise provided by the AEEGSI, the same disclosure regime will apply for the reserve price of the primary capacity;

- the list of the names of the users showing the relevant information elements, defined by the regasification company, necessary to verify the coverage of the counter value of the exposure deriving from any award⁵;
- makes the specifications of the auctioned product available on the PAR, such as:
 - reference period;
 - the exact date of unloading (slot);
- allows the acceptance of the bids/offers of participants admitted to the PAR for which the following conditions are met:
 - they are included in the list of the names of the PAR authorized users sent by the regasification company;

⁴ The disclosure of this information is envisaged only if the regasification company requires GME to check the participant's exposure coverage - deriving from any award in the auction of reference - with respect to an amount of the guarantee, also notified by the Terminal, which also covers such ancillary costs.

⁵ Depending on the choices made by the regasification company, this information may include: 1) the amount of the guarantee available to the participant participating in the auction, on which GME would carry out the adequacy checks, verifying that the potential counter value of the offered capacity, including any ancillary cost indicated by the same Terminal, is covered by the amount of the available guarantee in the measure foreseen by the Terminal; 2) the maximum number of slots that can be allocated to each user, on which GME would perform the adequacy checks, verifying that the number of slots offered by the participant is lower than or equal to the maximum number of slots that can be allocated to the same participant

⁶ See note 4 above.

- the exposure coverage deriving from the possible awarding on the basis of the information defined by the regasification company has been positively verified⁶;
- determines the outcome by declaring the winning bidder, for each order of merit, as the participant who presented the purchase offer with the highest price compared to the reserve price. For example: in the case of allocation of 4 or 2 slots WITH a single date, GME, given the reserve price notified by the regasification company, will define 4 or 2 separate auctions with as many merit orders and declare the winning bidder, for each order of merit, as the participant who presented the purchase offer with the highest price compared to the reserve price.
It is understood that for the allocation of slots of secondary capacity WITH indication of the specific dates of the individual unloading (differently from what is envisaged for the carrying out of the auctions for capacity booking WITHOUT indication of the specific dates of the individual unloading), GME will not carry out following runs after that for the allocation of primary capacity. Conversely, it will carry out auctions and define separate orders of merit, since the secondary capacity, like the primary one, is related to specific univocally defined unloadings. It should be noted that, in all cases, the price of allocation of the slot awarded in the auction will be that of the purchase offer with the highest price compared to the reserve price and in the case of purchase offers with the same offer price, the one having priority time presentation will be awarded.
- notifies the winning bidder of the successful award and the remaining users of the non-award, specifying, in the latter case, if the non-award is due to:
 - a negative result of the checks on the exposure coverage deriving from any award;
 - an offered price that was:
 - not compatible with the reserve price (offered price lower than the reserve price);
 - higher than the reserve price, but lower than the award prices;
- unless otherwise provided by the AEGSI, GME shall anonymously publish on its website, the outcome of the auction carried out and in the event of a successful allocation: the allocated capacity and the allocation price; the regasification company will proceed, among other things, to the management of billing and payments related to the awarded capacity.
- GME shall provide the regasification company with an information flow containing the outcome of the award, or the names of the winning participants and the related award prices.

⁶ See note 4 above.

Auction outcomes are binding only between the winning participant and the regasification company. The obligations arising from the allocation of the regasification capacity are established by the regasification company as part of its Regasification Code, as well as in the documentation referred to therein.

2.3.3. Regasification capacity no longer allocable by auction

In order to allow the allocation of regasification capacity that can no longer be allocated by auction, GME, upon specific request of the regasification company (Terminal), will activate, within the reference PAR of the Terminal, a "functionality" through which the interested users admitted to the PAR platform may submit a request for the allocation of the capacity slot that can no longer be allocated by auction.

In order to allow the application of the "*first come first served*" allocation principle, pursuant to article 6, paragraph 6.6 of the TIRG, this "functionality" will record the date and time of the aforementioned request presented by the PAR participant.

In particular, for the purpose of such allocations, GME:

- shall receive from the regasification company:
 - the particulars relating to the single available unloading to be allocated, as well as any other information deemed useful for the allocation of the related capacity;
 - the indication of the offer price at which the allocation will take place, defined by the AEEGSI pursuant to art. 6, paragraph 6.7, of the TIRG;
 - the precise indication of the time during which the "functionality" shall remain active on the order book, as well as any other relevant information;
 - the list of the names of the users admitted to the PAR by the regasification company that can apply for the so-called *first come first served* capacity. The verification of the exposure coverage deriving from the submission of the request for allocation will be carried out, in this case, directly by the regasification company, since all the necessary elements are known in advance.
- shows within the "functionality", activated in the PAR segment, the particulars of the product to be allocated for the entire period of time indicated by the regasification company;
- allows the submission of the allocation application only to the participants admitted to the PAR platform who are, on the basis of the information provided by the regasification company, PAR enabled users;
- disables the "functionality" after the time limit, indicated by the Terminal, for the exposure on the segment of the aforementioned "functionality".
- notifies the outcomes of such allocation;

- unless otherwise provided by the AEEGSI, GME shall anonymously publish on its website, the successful allocation: the allocated capacity and the relevant offer price;
- provides the regasification company with the name of the authorized user admitted to the PAR to whom the capacity, on the basis of the indications provided by the Terminal, has been allocated in pursuance of the "first come first served" principle, with specific indication of the date and time in which the relevant request was recorded by the P computer system. Based on this information flow, the regasification company will proceed, among other things, to the management of billing and payments related to the awarded capacity.

Auction outcomes are binding only between the winning participant and the regasification company. The obligations arising from the allocation of the regasification capacity are established by the regasification company as part of its Regasification Code, as well as in the documentation referred to therein.

2.4. Disclosure regime of reserve prices and offer prices

With regard to reserve prices, Annex A to Resolution 660/2017/R/GAS refers to a subsequent AEEGSI provision for the definition of the criteria for determining them.

With regard to the disclosure regime to be envisaged for these prices, pending the definition of the complete framework of the rules to be applied to the allocation of the regasification capacity, it is proposed, as highlighted elsewhere in this document, the following:

- ✓ for **annual and multi-annual primary and secondary capacity allocations**: the reserve prices will be notified by the regasification company to GME and will always be disclosed to the users participating in the auctions in order to allow the application of the open ascending auction mechanism.
- ✓ for the **primary and secondary capacity allocation during the thermal year**: the reserve prices will not be disclosed to users at least for the entire duration of the auction, unless the AEEGSI decides otherwise, and therefore:
 - these reserve prices do not represent the floor of the price for the submission of purchase offers;
 - all bids/offers, regardless of the submission price, provided that the latter is greater than or equal to zero, access the bidding system, but:
 - ❖ the bids/offers submitted with a price greater than or equal to the reserve price (not known to users) taken as a reference for the run of the auction, shall contribute to the order of merit of that run;

- ❖ the bids/offers submitted with a price lower than the reserve price (not known to users) taken as a reference for the run of the auction do not contribute to the order of merit of that run;
- after the auction, GME, unless otherwise provided by the AEEGSI, would:
 - ❖ publish the award prices and the allocated quantities
 - ❖ notify the winning participant of the award
 - ❖ notify to the remaining participants of the non-award specifying, as appropriate: 1) 'offer price not compatible with the reserve price (i.e offer price lower than the reserve price)'; 2) 'Offer price lower than the award price' (offer price greater than the reserve price but lower than the award price)

The purchase offers (quantities and prices offered) and sales prices (reserve prices), if not already disclosed (as in the case of multi-annual and annual auctions) would be published three months after the date of the auction, unless otherwise provided by the AEEGSI.