



Consultation Document no. 01/2024

Electricity Market and OTC Registration Platform

Implementation of *Testo Integrato del Dispacciamento Elettrico* – TIDE

(Integrated Text of the Electricity Dispatching Rules – TIDE)

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1. FOREWORD

With its decision 345/2023/R/EEL of 25 July 2023, *Autorità di Regolazione per Energia Reti e Ambiente* (ARERA, Italian Regulatory Authority for Energy, Networks and Environment) approved the Integrated Text of Electricity Dispatching (TIDE), providing, *inter alia*, that GME, TERNA, and other parties involved at various levels shall “accomplish the tasks falling under their responsibility so that TIDE may take effect as of 1 January 2025.”

As the implementation of the TIDE makes it necessary to deeply change the current design of the Italian electricity market, GME has the responsibility of revising: the design of its Electricity Market (ME) and OTC Registration Platform (PCE); and, consequently, the provisions governing the operation of the above trading systems that are laid down in the Integrated Text of the Electricity Market Rules (ME Rules) and in the Rules Governing the Forward Electricity Account Trading Platform (PCE Rules), respectively, as well as in the related Technical Rules (DTF).

GME has thus published this consultation document under art. 3, para. 3.4 of the ME Rules, and article 3, para. 4.5 of the PCE Rules, with a view to presenting to interested parties its proposed amendments to the ME and PCE Rules in order to implement the provisions of the TIDE.

GME has also published its proposed amendments to some of the applicable Technical Rules and the preliminary versions of the new Technical Rules. Given the proposed changes to the ME Rules, these Technical Rules (both amended and new) represent key elements for a better and more complete understanding of the new market design described in this consultation document. In this regard, GME has deemed it necessary to gather comments from interested parties about its proposed changes in compliance with art. 4, para. 4.3 of the ME Rules.

This consultation process concerns not only aspects deriving directly from the implementation of the TIDE, but also other changes that GME proposes in order to harmonise some of the rules of operation of the Italian electricity market (while respecting its specificity) with those of other European markets. GME has put forward these proposals on the assumption that, on 1 January 2025, the following conditions are satisfied:

- replacement of the national single price as the price for valuing demand-side bids in the Day-Ahead Market (MGP) and update of the calculation methods of the reference price of electricity traded in the MGP (PUN Index GME[®]) under art. 13 of Legislative Decree 210/21, as subsequently amended and supplemented, and Decree of Ministry of Environment and Energy Security of 18th April 2024 (hereafter: D.M. MASE 18th April 2024) (see para. 2 below);

- adoption of an Imbalance Settlement Period (ISP) of 15 minutes in Italy (see para. 2 below);
- entry into force of the TIDE (see para. 3 below).

These conditions define the scenario underlying this consultation process.

To facilitate their reading, the consultation documents have been divided into four parts:

- this descriptive document, dealing with the most significant aspects of the changes made, on which interested parties may submit their comments;
- the draft ME Rules;
- the most significant draft Technical Rules that have been introduced or changed and that represent the implementing and procedural provisions of the amended ME Rules;
- the draft PCE Rules.

Please submit your comments in writing to GME – **Governance** by **14th June 2024** at the latest (end date of this consultation)

- by e-mail to: info@mercatoelettrico.org

Comments must be transmitted by using the Excel template attached to this consultation document. Any comments transmitted in other formats will not be accepted.

Parties wishing to keep all or part of their comments confidential should specify which part of their comments are to be kept confidential.

2. CONTEXTUAL CHANGES

As pointed out in the Foreword, GME has formulated its proposed changes on the assumption that, on 1 January 2025, the following contextual conditions are satisfied:

- replacement of the national single price as the price for valuing demand-side bids in the MGP and update of the calculation methods of the reference price of electricity traded in the MGP (PUN Index GME®) under art. 13 of Legislative Decree 210/21, as subsequently amended and supplemented, and D.M. MASE 18th April 2024;
- adoption of an Imbalance Settlement Period (ISP) of 15 minutes in Italy;

Thus, taking into account the fulfilment of these conditions, the texts of the new ME and PCE Rules submitted for consultation also contain changes that are not related directly to the TIDE; these changes include, *inter alia*:

1. revision of the market time interval (MTU – Market Time Unit) to which bids in the energy markets and registrations on the PCE shall refer, respectively;
2. revision of the applicable period to which registrations of nominations on the Nomination Platform (PN) shall refer;
3. management of multiple market time intervals as part of the market resolution coupling mechanism;
4. revision of the units of measurements adopted in the energy markets, on the PN, and on the PCE;
5. introduction of new types of products to which bids may be referred.

2.1 REPLACEMENT OF THE NATIONAL SINGLE PRICE AS THE PRICE FOR VALUING DEMAND-SIDE BIDS IN THE MGP AND UPDATE OF THE CALCULATION METHODS OF THE REFERENCE PRICE OF ELECTRICITY TRADED IN THE MGP (PUN INDEX GME®)

Reference legislation:

- **art. 42 of the ME Rules;**
- **art. 2, para. 1 xx) of the PCE Rules.**

2.1.1 REPLACEMENT OF THE NATIONAL SINGLE PRICE AS THE PRICE FOR VALUING DEMAND-SIDE BIDS IN THE MGP AND UPDATE OF THE CALCULATION METHODS OF THE REFERENCE PRICE OF ELECTRICITY TRADED IN THE MGP (PUN INDEX GME®) – ME RULES

The final version of the ME Rules that will enter into force on 1 January 2025 will incorporate all the provisions of art. 13 of Legislative Decree 210/2021 – as amended by art. 19 of Law-Decree no. 181 of 9 December 2023, as amended and converted with amendments into Law no. 11 of 2 February 2024 – and the implementing provisions set forth in D.M. MASE 18th April 2024.

In particular, art. 1, paras. 1 and 2 of D.M. MASE 18th April 2024, provides that:

“1.1 As of 1 January 2025, electricity demand-side bids in the Day-Ahead Market managed by GME shall be valued at the zonal prices.

2.2 For the purposes of the electricity market rules, GME shall calculate the reference price of electricity traded in the above-mentioned market as the average of zonal prices weighted for the volumes purchased in respect of zonal withdrawal portfolios in each geographic market zone.”

The above-mentioned provisions will be transposed into the ME Rules under art. 3.5 of the same Rules to conform to the applicable legislation. Therefore, the related changes are not subject to consultation. However, they are reported in this document with the aim of providing a comprehensive picture of the ME Rules that will take effect on 1 January 2025.

In particular, under the currently applicable legislation, the national single price represents at the same time:

- a price for valuing demand-side bids accepted in the MGP;

- an index that GME uses also for the purposes of the ME Rules as: 1) a reference price for its Forward Electricity Market (MTE); 2) a price for valuing “imbalances with respect to schedules” arising on the PCE; and 3) a reference price for its Daily Products Market (MPEG).

With the implementation of the provisions of D.M. MASE 18th April 2024 within the timeframes indicated therein:

- on the one hand, the national single price will no longer be used as a price for valuing demand-side bids in the MGP, since these bids will be accepted and valued at the corresponding zonal prices;
- on the other hand, the calculation methods of the reference price of electricity traded in the MGP will be updated.

In particular, the update of the calculation methods of the reference price of electricity traded in the MGP will be concerned with the following aspects:

- weighting of zonal prices in view of determining the reference price of electricity traded in the MGP: this weighting will be based on purchases related to “withdrawal portfolios” belonging to geographic zones rather than on purchases related to “consuming units”. This change is necessary for the sole purpose of using the new classification introduced by the TIDE. Indeed, the latter provides that, in submitting bids into the MGP, “consuming units” shall be replaced by “withdrawal portfolios”, which will include the current types of consuming units;
- determination of the reference price of electricity traded in the MGP: this price will be determined on the basis of the zonal results of the MGP and no longer at the same time as the determination of the zonal results; indeed, all the supply-side and demand-side bids will be accepted on the basis of the corresponding zonal prices and, for this reason, the reference price will not be calculated by the MGP algorithm.

In this connection, it is worth pointing out that the reference price of electricity traded in the MGP will be set at each minimum market time interval¹. It follows that, with the introduction of the 15-min Market Time Unit (MTU) in the MGP², the reference price of electricity traded in the MGP will be calculated at each quarter-hour.

¹ For the market time interval, see para. 2.2.

² See para. 2.2.1

Finally, the replacement of the national single price as a price for valuing demand-side bids in the MGP will involve the elimination of non-arbitrage fees; these fees are currently applied in Intraday Markets (MI) to demand-side and supply-side bids in respect of offer points valued at the national single price.

2.1.2 REPLACEMENT OF THE NATIONAL SINGLE PRICE AS THE PRICE FOR VALUING DEMAND-SIDE BIDS IN THE MGP AND UPDATE OF THE CALCULATION METHODS OF THE REFERENCE PRICE OF ELECTRICITY TRADED IN THE MGP (PUN INDEX GME®) – PCE

In view of the changes made to the electricity market and described in the previous paragraph, the version of the PCE Rules submitted for consultation has been drafted taking into account the replacement of the national single price as a price for valuing demand-side bids in the MGP.

As regards payables/receivables arising on the PCE, the changes to the PCE Rules that GME proposes to take into account the replacement of the national single price and the update of the calculation methods of the reference price of electricity traded in the MGP (PUN Index GME®) provide that:

- the fees for assignment of rights of use of transmission capacity (CCTs) shall be applied to all bids on forward electricity accounts (CET) that have been accepted after the MGP, both supply-side bids (as it happens now) and demand-side bids. In particular, the CCT shall be calculated for each bid on the basis of the spread between the price of the zone to which the bid refers and the reference price of electricity traded in the MGP, as referred to in D.M. MASE 18th April 2024, in such a way that:
 - supply-side bids on forward electricity accounts shall pay/receive a CCT equal to the positive/negative spread between the reference price and the corresponding zonal price;
 - demand-side bids on forward electricity accounts shall pay/receive a CCT equal to the positive/negative spread between the reference price and the corresponding zonal price;
- imbalances with respect to schedules arising on each electricity account shall be valued at the reference price of electricity traded in the MGP.

2.2 INTRODUCTION OF AN IMBALANCE SETTLEMENT PERIOD (ISP) OF 15 MINUTES

Reference legislation:

- **ISP (applicable period) and MTUs (market time intervals): art. 2, para. 1 ff) and gggg);**
- **Products referred to multiple market time intervals: art. 26, para. 6, ME Rules, and Technical Rule no. 05 rev03 MPE;**
- **Preliminary market information: art. 36, ME Rules.**

2.2.1 APPLICABLE PERIOD AND MARKET TIME INTERVALS – ME RULES

Article 8 of Regulation (EU) 2019/943 regarding the time intervals of electricity markets provides that, as of 1 January 2025,

- I. TSOs shall calculate and value imbalances according to an ISP of 15 minutes;
- II. NEMOs shall provide Market Participants with products whose MTU shall be at least equal to the ISP.

First of all, in order to introduce the distinction between ISP and MTU in the markets and platforms managed by GME and, in particular, among the definitions of the ME Rules:

- the definition of “applicable period” has been changed to indicate an ISP whose duration is defined in the “dispatching rules”³. The transition to an ISP (applicable period) of 15 minutes will take place on 1 January 2025, as set forth in Regulation (EU) 2017/2195. However, to facilitate possible future changes to the duration of the applicable period, the ME Rules refer to the Technical Rules (Technical Rule no. 10 ME) for the definition of this duration. The adoption of an ISP of 15 minutes as of 1 January 2025 implies that, beginning on such flow date, nominations on the Nomination Platform (PN) shall be registered with a 15-minute granularity;
- the definition of “market time interval” has been introduced to indicate the MTU, i.e. the market time interval to which bids in respect of “simple” products⁴ may be submitted in the markets. Also

³ In the ME Rules, the set of ARERA’s decisions concerning electricity dispatching (including the TIDE) and of the regulatory documents issued by Terna or outside the scope of GME is defined as “dispatching rules.”

⁴ A simple product is a product pertaining to a single market time interval and for which a bid with a price limit and a given volume may be submitted. In contrast, block products identify products pertaining to a plurality of market time intervals.

in this case, the MTUs/market time intervals of the products that GME will make available in each market will depend on both the ISP/applicable period and on other elements resulting from the coupling projects of which energy markets are an integral part. As a result, for the definition of the MTUs/market time intervals available in each market (MGP, MI-A, and MI-XBID), reference is made to the Technical Rules (Technical Rule no. 05 rev03 MPE). Moreover, in line with current provisions, the latter Technical Rule provides that the maximum number of bids (in respect of each simple product and each portfolio) making up a multiple bid for each market time interval shall be equal to 4.

2.2.1.1. INTRODUCTION OF A MARKET TIME INTERVAL OF 15 MINUTES AND MULTIPLE MTUS IN THE MGP AND MI-A (auction markets)

The introduction of a 15-min market time interval in the MGP and MI-A involves an increased computational complexity of the coupling algorithm that is used for auction market resolution. This is due to the fact that the results of each market should be optimised by taking into account 96 time intervals (the 96 time intervals, each of 15 min, making up a day) in place of the current 24 time intervals (corresponding to the 24 hours of a day).

Upon the date of publication of this consultation document, European NEMOs and TSOs are carrying out thorough studies in order to define timeframes, procedures, and possible limitations with which the 15-min MTUs will be made available in the coupling algorithm used for the resolution of auction markets, i.e. of the day-ahead market/SDAC⁵ (MGP for Italy) and of the intraday markets/IDAs⁶ (MI-A for Italy).

Based on information available so far, GME's working assumption is that the products related to 15-min MTUs will be made available to NEMOs for the bidding zones already having a 15-min ISP:

⁵ SDAC = Single Day Ahead Coupling.

⁶ IDAs = Intraday Auctions. Although this topic is not the focus of this consultation, it is worth mentioning that the Italian MI-A currently takes place in coupling with the corresponding markets of Slovenia and Greece as part of Complementary Regional Intraday Auctions (CRIDAs). Beginning in the second half of 2024 (according to the current planning), the MI-A will operate in coupling with all other European countries as part of Intraday Auctions (IDAs). This change will not involve any operational change in terms of participation in the sessions of the MI-A. However, the allocation of cross-border capacity via implicit auctions will be extended to the borders with France and Austria, and the results of the sessions of the MI-A will be determined by a coupling algorithm and through procedures similar to those used in the MGP.

- for the SDAC (MGP in Italy) from January 2025⁷;
- for the IDAs (MI-A in Italy) from the day of flow of 1 January 2025, concurrently with the 15-min ISP.

The introduction of 15-min MTUs also raises the issue of making available products referring to multiple market time intervals (Multiple MTUs), in addition to those referring to 15 min. In effect, in various European fora, associations representing Market Participants have already expressed their preference: the introduction of a 15-min MTU should be accompanied by the concurrent presence of 30-min and/or 60-min MTUs. European NEMOs would be in favour of this request, provided that the European market resolution algorithm supports this possibility. In this regard, it is worth noting that the introduction of Multiple MTUs might increase the computational complexity of the algorithm. However, the tests carried out so far have confirmed that the day-ahead market coupling algorithm can manage multiple MTUs; studies concerning the intraday market coupling algorithm are still under way.

Upon the publication of this consultation document, GME's working assumption with regard to Multiple MTUs – i.e. the option of having products in respect of 30- and 60-min MTUs (in addition to 15-min ones) – is that these products should be made available to NEMOs for the bidding zones that already have a 15-min ISP:

- for the SDAC (MGP in Italy), concurrently with 15-min MTUs, in accordance with the above-mentioned timeline;
- for the IDAs (MI-A in Italy), from a date still to be defined but after January 2025.

As regards the auction markets managed by GME (MGP and MI-A), making available Multiple MTUs (60-min and 30-min MTUs in addition to 15-min MTUs) would require a change to the procedure for

⁷ The detailed timeline for the go-live of the 15-min MTU in the MGP is being continuously updated by NEMOs and TSOs; consequently, the 15-min MTU within the SDAC may be available later than January 2025. In any event, any mismatch between the go-live of the 15-min ISP and the 15-min MTU in the MGP and MI-A will be covered by the Technical Rules.

managing the “dispatching priority” (as per art. 13.3.38 of the TIDE), to be applied among bids submitted in respect of the same MTU and of the same zone⁸.

In this regard, GME deems it appropriate to enable the Italian Market Participants to optimise their trading strategies, relying on multiple market time intervals. Thus, GME proposes to make available the option of Multiple MTUs in the MGP and MI-A, as soon as such option becomes available from the coupling algorithm for all NEMOs.

2.2.1.2. INTRODUCTION OF A 15-MIN MARKET TIME INTERVAL AND MULTIPLE MTUS IN THE MI-XBID

In the MI-XBID, GME can technically and autonomously switch from 60-min market time interval products to 15-min products from 1 January 2025 (day of flow on which the 15-min ISP will be introduced in Italy), without requiring any collective decision by NEMOs, as is the case for the MGP and MI-A.

Indeed, for the introduction of 15-min intervals in the MI-XBID, there are no constraints associated with the performance of the algorithm, or in terms of formal coordination with other European NEMOs, or, ultimately, from the standpoint of the “dispatching priority” (i.e. merit order)⁹.

In view of the above, the switch to 15-min trades raises in the MI-XBID, too, the issue of multiple market time intervals, i.e. of retaining 60-min products and possibly introducing also 30-min products.

⁸ In the current market design, which is based on 60-min MTUs only, the “dispatching priority” is managed within the coupling algorithm. Under this algorithm, if multiple marginal bids with the same price are entered, then the bids that are accepted in the first place are those pertaining to plants/systems having the highest dispatching priority. If bids refer to Multiple MTUs, then the coupling algorithm can no longer define a dispatching priority among bids having the same price but referring to different MTUs (e.g. a supply-side bid at 50 €/MWh pertaining to a 60-min MTU for a thermal power plant, and a supply-side bid at 50 €/MWh for one of the 15-min intervals included in one hour for a renewable power plant). Hence, upon acceptance of bids, the dispatching priority will be applied among those having the same price but pertaining to the same MTU and to the same zone.

⁹ In continuous trading markets, the priority among bids entered at the same price is necessarily defined on the basis of their time of entry.

The presence of multiple time intervals in addition to the 15-min interval does not give rise to critical issues for the XBID software/algorithm, since there is no cross-matching¹⁰ among different products. Nonetheless, the creation, for each different MTU, of as many order books in each bidding zone¹¹ as the multiple market time intervals may induce the risk of an excessive dispersion of liquidity among a plurality of order books pertaining to different MTUs and different bidding zones. In this regard, it should also be pointed out that, in continuous trading intraday markets, with local 15-, 30-, and 60-min products, liquidity is equally shared between 15- and 60-min products. This shows that Market Participants seem to benefit from these multiple MTUs, as indicated in the Stakeholder Reports¹² available on the website of the NEMO Committee. By contrast, the use of 30-min products, which are present only in France, Belgium, and Germany, is extremely limited.

In view of the above considerations, GME would like to put forward the following proposal: upon the introduction of the 15-min ISP in Italy, introducing the 15-min product in the MI-XBID and keeping the 60-min product in each of the bidding zones of the Italian market. Conversely, given the limited advantage of the 30-min product, GME does not intend to propose its introduction in the MI-XBID.

¹⁰ Cross-matching is a feature enabling to combine products with time intervals that are different but compatible with one another, for instance 1 product in respect of 60 min with 4 products in respect of the four corresponding 15-min intervals.

¹¹ For Italy, there are 7 geographic bidding zones and 14 virtual bidding zones.

¹² This is the link to the Stakeholder Reports: <https://www.nemo-committee.eu/sidc>

Question no. 1

With the transition to market time intervals of 15 min, do you deem it useful to also introduce products in respect of market intervals of 30 min and 60 min (multiple time intervals) in the MGP and MI-A (auction markets)?

- Yes
- No

Please, explain the reasons for your answer.

Question no. 2

With the transition to market time intervals of 15 min, do you deem it useful to also maintain the market interval of 60 min (multiple market time intervals) in the MI-XBID and not to introduce the 30-minute product, given its limited use and consequent low liquidity?

- Yes
- No

Please, explain the reasons for your answer.

2.2.2 MARKET TIME INTERVALS – PCE RULES

On the PCE, the time granularity for registering commercial transactions will be initially kept at 60 min, also with a view to mitigating the operational impacts due to the switch to 15-min granularity transactions. The option to switch to a 15-min granularity and the time needed for its adoption for commercial transactions will be assessed on the basis of the findings from this consultation.

However, given the relationship existing between bids on forward electricity accounts and bids in the MGP, the former might refer to simple products in respect of the same market interval as those in the MGP. Therefore, for this topic, reference should be made to the previous section about ME Rules.

Question no. 3

Do you share the proposal of maintaining, at least initially, the 60-min granularity only for commercial transactions, so as to mitigate the operational impacts of passing to a 15-min granularity concurrently with the start of the TIDE?

- Yes
- No

Please, explain the reasons for your answer.

2.2.3 TIMEFRAMES OF MARKET SESSIONS – ME RULES

As described above, the introduction of a 15-min market time interval and of Multiple MTUs in the MGP and MI-A increases the computational complexity of the market resolution coupling algorithm, because the results of each market should be optimised by taking into account 96 time intervals (the 96 time intervals, each of 15 min, making up a day) in place of the current 24 (corresponding to the 24 hours of a day). Hence, based on decisions to be taken at European level by NEMOs and TSOs, we expect:

- in the MGP, an extension of the time needed to compute the market results, which would rise from 17 to 30 min, thereby decreasing the contingency period that is now available in the computation process;
- in the MI-A, a possible minimal extension of the time needed to compute the results of the auction, however negligible.

As for the MI-XBID, with the passage to 15 min, the time limit for submission of bids (h-1) will be based on 15-min intervals (e.g. bids in respect of the 15-min interval from 11:15 to 11:30 may be submitted by 10:15, those referring to the 15-min interval from 11:30 to 11:45 may be submitted by 10:30, etc.).

As a result, for the 96 fifteen-minute intervals of a generic day of flow, there will be 96 distinct gate closures, one for each 15-min interval.¹³

Likewise, on the PN, it will be possible to register nominations for each of the 96 fifteen-minute intervals of each day within the 57 min (h-57) before the start of the same 15-min interval (e.g. nominations pertaining to the 15-min interval from 11:15 to 11:30 may be submitted by 10:18, those pertaining to the 15-min interval from 11:30 to 11:45 by 10:33, etc...).

2.2.4 TIMEFRAMES OF PCE SESSIONS – PCE RULES

The introduction of a 15-min market time interval in the MGP does not involve any change to the timeframes for registrations on the PCE.

¹³ For reasons related to operational security and simplification of the activities to be undertaken as part of the transition to a 15-min ISP, it is likely that initially, beginning on 1 January 2025 and for a transitory period, at European level, some TSOs prefer maintaining in the XBID an Operating Time Unit (OTU) of 60 min, instead of reducing it to 15 min in order to make it consistent with the ISP (in the XBID, the OTU is the closure frequency of interzonal transit nominations).

2.3 BLOCKS

Reference Legislation:

- **art. 26, para. 6, ME Rules, and Technical Rule no. 05 rev3 MPE.**

2.3.1 BLOCKS IN THE ME – ME RULES

So far, the presence of the national single price as a requirement of Italian bidding zones in the coupling algorithm used for day-ahead markets has not made it possible to manage bids in respect of block products¹⁴ in the same zones, as this type of products is incompatible with the national single price¹⁵.

With the introduction of the zonal price in place of the national single price also on the demand side, GME will be able to introduce block products in the MGP and, at the same time, to assess their introduction also in other energy markets.

The following are GME's proposals, as described in Technical Rule no. 05 MPE, concerning block products in the MGP, MI-A, and MI-XBID markets, respectively.

In this connection, in Technical Rule no. 05 rev3 MPE, GME has specified which block products it intends to introduce, among the various types of such products indicated in the Product Methodology for both the SDAC and the SIDC¹⁶. The same Technical Rule will also provide for a maximum number of bids of block type that each Market Participant may submit in each market sitting. While GME intends to enable Market Participants to use as many blocks as possible, it deems it necessary to put a limit to the number of bids in respect of this type of products that each Market Participant may submit in each market sitting, in order to safeguard the computational performance of the algorithm, in line with the

¹⁴ Block products are the products consisting of multiple market time intervals pertaining to the same day of flow.

¹⁵ The national single price, too, is an optional requirement of the coupling algorithm.

¹⁶ The Product Methodology for the SDAC and the SIDC is reported below.

<https://www.nemo-committee.eu/assets/files/ACER%20Decision%2037-2020%20on%20the%20DA%20Products%20-%20Annex%20I-2f395c2074a0028949d6200dcd2c1de2.pdf>

<https://www.nemo-committee.eu/assets/files/ACER%20Decision%20on%20ID%20Products%20-%20Annex%20I%20-%20Terms%20and%20conditions-4d7017bcee0f2c2da04c5df6df63141f.pdf>

coupling algorithm methodology (ACER Decision no. 04/2020). However, GME will be able to specify this limit only at a later stage, after the simulations being carried out by European NEMOs.

2.3.1.1 INTRODUCTION OF BLOCK PRODUCTS IN THE MGP AND MI-A (AUCTION MARKETS)

The types of blocks¹⁷ that are available under the Product Methodology for the coupling of auction-based day-ahead markets (MGP for Italy) and intraday markets (MI-A for Italy) are simple and complex blocks.

Nevertheless, GME proposes the introduction of simple blocks only, considering that blocks have never been used in Italy so far and that, at least initially, it intends to enable Italian Market Participants to rely on the most common and easiest-to-use blocks.

Simple blocks are “mandatory” products under the Product Methodology. In other words, all NEMOs should be able to use them on request. Simple blocks consist of products in respect of which, when submitting a bid, a Market Participant should indicate the price limit (for purchase or sale), the “acceptance ratio”,¹⁸ and the volume covered by the bid, for a number of MTUs that is freely chosen by such Market Participant, with equal volumes for each MTU. If the Market Participant wishes to associate a different volume with each MTU contained in the simple block, then this block qualifies as a profile block.

In view of the above, GME proposes the introduction of simple blocks, possibly including profile blocks, which have the following features:

- I. single offer price for the block;
- II. number of market time intervals of the same duration (i.e. 15 min, 30 min, and 60 min) chosen by the Market Participant;
- III. volume offered for each market time interval contained in the block;

¹⁷ Blocks consist of multiple MTUs of the same type. Thus, if multiple MTUs (e.g. 15-,30-, and 60-min) are available in the market, Market Participants may build blocks by combining several types of MTUs (15-min blocks, 30-min blocks, and 60-min blocks).

¹⁸ Acceptance ratio is the minimum percentage of the volume covered by the block that must be accepted in each MTU in the same block.

IV. minimum acceptance ratio of 0–1.

A bid pertaining to a block product of this type will be accepted if the price of the supply-side bid or of the demand-side bid is lower than or equal to (sale) or higher than or equal to (purchase) the average zonal price, weighted on the accepted volumes, of the market time intervals underlying the product¹⁹.

2.3.1.2. INTRODUCTION OF BLOCK PRODUCTS IN THE MI-XBID

In the MI-XBID, the European coupling algorithm supports user-defined blocks. Under the Product Methodology, these blocks are defined by each Market Participant by combining 15-, 30-, and 60-min market time intervals. To be accepted, these blocks should match blocks with a similar composition.

International market evidence shows that the use of block products is extremely limited, because the European coupling algorithm, of which the MI-XBID makes part, does not support the cross-matching between products that consist of different MTUs, albeit compatible with each other.²⁰

This is the reason why user-defined blocks require:

1. the creation of appropriate order books, to be activated on demand whenever a Market Participant creates his/her/its block;
2. the necessary matching of this block with a similar block.

Thus, as described in the CACM Annual Report 2022²¹, this type of trading gives rise to an extremely limited liquidity for such product.

¹⁹ The coupling algorithm may yield results in which some blocks are rejected (the so-called paradoxically rejected blocks), although satisfying acceptance criteria.

²⁰ Here, reference is made to the feature enabling, for instance, to match two products pertaining to two 15-min intervals (e.g. 11.00–11.15 and 11.15–11.30) with a corresponding product pertaining to a 30-min interval (11.00–11.30), or between other products pertaining to intervals or blocks of intervals that are in any event compatible between them.

²¹The following is the link to the CACM Annual Report 2022:

<https://www.nemo-committee.eu/assets/files/cacm-annual-report-2022.pdf>

Furthermore, the usefulness of blocks diminishes when getting close to the real time, because Market Participants need to define specific bidding strategies based on individual market time intervals where the highest liquidity is concentrated.

For the above-described reasons, GME does not propose to introduce blocks in the MI-XBID.

Question no. 4

Do you agree on the choice of having simple blocks only, including profile blocks, in the MGP and MI-A?

- Yes
- No

Please, explain the reasons for your answer.

Question no. 5

Do you agree on the proposal not to introduce user-defined blocks in the MI-XBID, given the poor liquidity of this product?

- Yes
- No

Please, explain the reasons for your answer.

2.3.2 BLOCKS ON THE PCE – PCE RULES

In line with what has been proposed for the Day-Ahead Market, GME proposes the introduction of simple blocks also on the PCE, considering the relationship between bids on forward electricity accounts and bids in the MGP. The features of blocks on the PCE remain the same as those described in the previous section for the ME Rules.

2.4 GUARANTEES

Reference legislation:

- **art. 100, ME Rules, and Technical Rule no. 07 rev 11 ME;**
- **art. 60, PCE Rules, and Technical Rule no. 04 rev 5 PCE.**

2.4.1 GUARANTEES – ME RULES

With the above-described introduction of multiple market time intervals in the MI-XBID, GME has deemed it appropriate to revise the mechanism of booking of guarantees, by changing the timeframe for its use during continuous trading. Indeed, the new ME Rules will provide for a maximum of one booking for each minimum market time interval and for each Participant. GME has put forward this proposal with a view to safeguarding the performance of its trading system (Local Trading System, LTS), which might suffer from a possible increase in trades caused by the transition to 15-min bids and the trading of 60-min products.

Hence, the proposed solution would allow Market Participants to benefit from a number of bookings that would be sufficient to adjust their guarantees in view of the purchase and sale of market products, and it would also prevent the occurrence of operational difficulties within the LTS.

Question no. 6

Do you share GME's proposal to revise the guarantee booking feature for trades in the MI-XBID?

- Yes
- No

Please, explain the reasons for your answer.

2.4.2 GARANTEES – PCE RULES

As a result of the replacement of the national single price, also demand-side bids in the MGP will be valued at zonal prices.

The reference price (PUN Index GME®), based on the revised calculation methods mentioned above, will be used to value the CCT.

The extension of zonal prices to all demand bids thus implies that the CCTs will be applied to all demand bids pertaining to forward electricity accounts. In other words, to register purchase transactions involving net buy positions on electricity accounts, Market Participants must provide GME with financial guarantees to cover their obligations to pay CCTs. Additionally, the related adequacy verifications should be based on criteria similar to those adopted for sale transactions giving rise to net sell positions on electricity injection accounts. The details of the guarantee system are reported in the PCE Rules.

Finally, although the registration of PCE transactions no longer gives rise to “schedules” but rather to bids in respect of forward electricity accounts²², the definitions given in the PCE Rules will retain the word “schedules” in order to ensure the operational continuity of the bank guarantees already posted by Market Participants.

2.5 REVISION OF UNITS OF MEASUREMENT

Reference legislation:

- **art. 5, ME Rules, and Technical Rule no. 09 rev1 ME;**
- **art. 5, PCE Rules.**

2.5.1 REVISION OF UNITS OF MEASUREMENT IN THE ME – ME RULES

As indicated in Technical Rule no. 09 rev1 ME, introducing products whose duration is below one hour involves the change of the units of measurement adopted in the market and based on the MW (capacity value), upon both the trading and nomination stages. For the remaining market activities,

²² It is worth noting that commercial scheduling only arises after the MI-XBID and it is equal to the sum of all transactions made in the previous spot market sessions.

the unit of measurement will continue to be the MWh, which will be defined by multiplying the capacity value in MW by the duration (h) of the period to which the product refers.

For the submission of bids, GME also proposes to indicate the MW with the specification of one decimal. This implies that the minimum volume traded in energy markets will be equal to 100 kW. This change is aimed at harmonising the number of decimals with which Market Participants may submit bids in GME's markets with the practices adopted in other European markets, and with the number of decimals with which nominations are made in respect of the use of interconnection capacity with foreign countries.

This change is being proposed after discussions with Terna about the consistency of this volume (i.e. 100 kW) with the new mapping of units referred to in the TIDE. Moreover, specific market analyses conducted by GME have revealed that the current number of Market Participants completing transactions in respect of volumes of less than 100 kW is negligible.

However, GME confirms the option for Market Participants of nominating volumes of up to 1 kW. Therefore, on the Nomination Platform, the unit of measurement will be the MW, specified with 3 decimals.

Question no. 7

Do you share GME's proposal that, in the ME, Market Participants will be able to submit bids whose unit of measurement is the MW, specified with 1 decimal, and to register nominations whose unit of measurement is the MW, specified with 3 decimals?

- Yes
- No

Please, explain the reasons for your answer.

2.5.2 REVISION OF THE UNIT OF MEASUREMENT ON THE PCE – PCE RULES

The reader is referred to what has been indicated on this topic in the previous section concerning the ME Rules.

3. CHANGES TO IMPLEMENT THE TIDE

The reform of electricity dispatching, introduced by the TIDE, has had the most impact on the following areas of the ME Rules and of the PCE Rules:

1. the subjective spheres of the **parties admitted to the electricity market and, thus, to the Nomination Platform (PN), and to the PCE;**
2. the procedures for **submitting bids in the electricity market and on the PCE;**
3. the procedures for making **nominations on the PN** of the volumes of electricity to be injected and withdrawn, which are traded in the electricity market or derive from registrations made on the PCE.

3.1 AUTHORISATIONS TO OPERATE

Reference legislation:

- **art. 17, ME Rules;**
- **art. 24, PCE Rules.**

3.1.1 PARTIES AUTHORISED TO OPERATE IN THE ME – ME RULES

In accordance with the TIDE, the following parties are required to sign an agreement for participation in GME's electricity market (art. 5, Legislative Decree 79/99) and thus acquire the status of **Electricity Market Participants**:

- Balance Responsible Parties (BRPs), or their delegated agents, wishing to participate in the energy markets and thus in the PN for nominating the units falling under their competence;
- Balance Service Providers (BSPs) wishing to participate in the market for balancing and redispatching, or in the PN for nominating the units falling under their nomination competence.

Obviously, as the Italian market is based on centralised merit order dispatching,²³ the trading or operations carried out by the parties admitted thereto are strictly dependent on their entitlement as

²³ Centralised merit order dispatching is the model of operation of the power system referred to in art. 5.2 of Legislative Decree 79/99. In this model, the sequence of switching-on of power plants/systems is determined on the basis of a "merit order", as established after the sessions of the electricity market.

BRPs or BSPs (validated by Terna) to generating and consuming units. Terna provides GME with a register of generating and consuming units (for the latter, it refers to the registry of *Sistema Informativo Integrato* – SII, Integrated Information System – managed by *Acquirente Unico*), specifying those in respect of which Market Participants (qualified as BRPs or BSPs by Terna itself) are entitled to submit bids in the markets via portfolios or register nominations on the PN.

Therefore, all the activities that are necessary to validate the entitlement to such units and control the fulfilment of the related requirements will continue to fall under Terna's responsibility.

In line with current provisions, the new ME Rules provide that, to trade in the energy markets and to nominate schedules (for the units whose nomination is to be made by the BRP under the TIDE), Market Participants must be entitled to carry out such operations in respect of the units for which they qualify as BRPs, or their delegated agents. However, in case of delegation, the provision on the so-called "sub-delegation" has been removed from the current ME Rules. Under a sub-delegation, a party to whom/which the related dispatching user has delegated entitlement to a given unit can in turn sub-delegate such entitlement to a third party. GME proposes to delete the sub-delegation instrument because Market Participants do not use it.

Always with regard to delegations, GME (exercising a right recognised by the TIDE) has deemed it necessary to provide, in the new ME Rules, that the BRP may give a delegation to submit bids and register nominations to a single Market Participant and that, in case of delegation, the BRP will lose entitlement to his/her/its own units/portfolio in view of participating in the energy markets and making nominations on the PN. In other words, the so-called "multiple delegation" would be removed from the current ME Rules. Indeed, under such instrument, a Dispatching User (qualified as BRP after the entry into force of the TIDE) could transfer his/her/its entitlement to submit bids in respect of a given unit to multiple delegated agents, maintaining at the same time his/her/its entitlement.

Limiting the delegation of the BRP to a single agent (with the consequent loss of his/her/its entitlement to a given unit for the purposes of the market) is justified by the need for a proper organisation of market operations and nominations. Indeed, with the TIDE, the activities of trading and nomination – now carried out at the same time via the submission of bids that, if accepted, automatically give rise to corresponding injection and withdrawal schedules – will become two distinct activities. For these activities, there should be a single responsible party (BRP or delegated agent) and this party should be the same in both activities. Priority in the trading activity carried out by multiple parties for a given portfolio/unit can be established through the prices associated with bids. However, the admission of a plurality of parties to the nomination activity would require the introduction of constraints and/or

coordination instruments that cannot be defined on the basis of merit order. Furthermore, it is worth stressing that, at present, the number of units for which multiple delegations are present in the market is equal to 1 out of 9000. Moreover, the removal of the “multiple delegation” also responds to the requirement of eliminating from the ME Rules instruments and procedures that Market Participants do not use. Given the novelties introduced by the TIDE, these instruments and procedures would increase the operational complexity of market operations, without yielding a comparable benefit.

With regard to the BSP and to his/her/its activities in balancing markets, in line with the current provisions of the MSD, GME deems it necessary not to introduce the delegation instrument and this would also apply to the registration of nominations on the PN in respect of units for which, under the TIDE, the nomination can be registered only by the BSP.

The removal of the power of delegation of the BSP is justified by the fact that participation of a BSP in the MSD involves payables/receivables arising directly between such BSP and Terna, the latter acting as a central counterparty in the MSD. This is the reason why, if a BSP delegated his/her/its participation in the MSD to another party, the latter would not have a contractual relationship with Terna, under which payables/receivables arising in the MSD would be settled. Therefore, the responsibility for such payables/receivables would, in any event, fall on the BSP. Finally, under the TIDE, the BSP is the only party entitled to register nominations for the units participating in the MSD. Consequently, the removal of the BSP delegation instrument should also apply to nominations on the PN.

Hence, although the TIDE provides for a BSP delegation, GME will not introduce it, as this instrument would not offer such an operational flexibility as to relieve the BSP of his/her/its responsibilities towards Terna, unless otherwise suggested by the respondents to this consultation.

Question no. 8

Do you agree that, in the new ME Rules, GME limits the delegation on portfolios to a single Market Participant?

- Yes
- No

Please, explain the reasons for your answer

Question no. 9

Do you consider the delegation instrument to be necessary for BSPs?

- Yes
- No

Please, explain the reasons for your answer

3.1.2 PARTIES AUTHORISED TO OPERATE ON THE PCE – PCE RULES

In accordance with the provisions of the TIDE, the following parties are required to sign a PCE participation agreement with GME and thus acquire the status of PCE Participants:

- BRPs whose objective is to register forward electricity purchases and sales;
- electricity Market Participants wishing to apply for a Blank Electricity Account on the PCE with a view to registering forward purchases and sales even in the absence of a physical underlying;
- parties delegated by BRPs to carry out the above activities;
- Market Participants holding 210/21 storage portfolios and carrying out the activity of registration of forward electricity purchases and sales within their Storage Accounts.

For the PCE, too, admission procedures are based on the same criteria as those in the ME Rules (mentioned in the previous paragraph), which will remain unaltered with respect to current ones.

As regards the delegation instrument on the PCE, GME proposes that, in the new PCE Rules, the existing mechanism should be retained. Under this mechanism, a delegation can be granted in respect of an account and, by a given share, in respect of a unit (with the TIDE, a portfolio) to multiple Market Participants (the so-called “multiple delegation by share”). Contrary to what happens in the electricity

market, which features both a trading stage and a nomination stage (where a multiple delegation, for the reasons explained above, would introduce complexity), the PCE only features a trading stage (i.e. registration of net positions of electricity accounts on the PCE) and not also the nomination stage. Consequently, a multiple delegation can be maintained on the PCE.

Question no. 10

Do you agree on keeping in the new PCE Rules the existing mechanism under which dispatching users (future BRPs) can delegate both an account and a share of a unit to multiple PCE Participants?

- Yes
- No

Please, explain the reasons for your answer

3.2 TRADING PROCEDURE

Reference legislation:

1. For portfolios:

- **art. 26, para. 4, ME Rules, and Technical Rules no. 24 MPE;**
- **art. 28, PCE Rules.**

2. For technical and financial adequacy verifications:

- **arts. 40 and 52, ME Rules, and Technical Rule no. 10 rev4 MPE;**
- **arts. 36, 39, 44, and 45, PCE Rules**

3.2.1 PORTFOLIOS – ME RULES

With the approval of the TIDE, physical or virtual consuming and withdrawal units will participate in spot markets through zonal portfolios, except in the MSD where transactions for the balancing and redispatching market will continue to refer to units.

Under the TIDE, portfolios shall be distinguished into physical and commercial and may consist of individual units (for UAS²⁴, portfolios will necessarily consist of a single unit, based on requests made by Market Participants as part of the relevant consultation held by ARERA) or of a set of injection units (using the same technology),²⁵ or of withdrawal units.

GME proposes that, initially, in the new ME Rules, the only provision on the creation of portfolios should be the one mentioned in art. 10.2.4 of the TIDE. Under this provision, in the absence of notifications from the BRP, each unit (not only UAS, but also UVN, UVZ, and UNAP²⁶) will correspond to a single physical or commercial portfolio. Any procedures to aggregate multiple units into a single portfolio may be introduced at a later stage, by specifying them in a new Technical Rule no. 23 MPE, without amending the ME Rules. It goes without saying that the procedures for creating portfolios shall apply to all the sessions of the spot market (except in the MSD²⁷).

GME's proposal that, at least in the initial stage, portfolios will consist of a single unit makes it possible to maintain consistency among the criteria adopted for all types of units. Indeed, as previously indicated, it is the TIDE itself that mandates this solution for the UAS, based on feedback from Market Participants upon the relevant consultation.

This approach actually replicates and confirms the unit bidding procedure upon bid submission. However, upon nomination, it retains the flexibility of scheduling units in a way that is different from the one in which they have been offered in the market and, above all, it minimises the complexity and operational risks associated with the implementation of the TIDE provisions.

Additionally, if the unit bidding procedure is maintained, Market Participants will continue to rely on implicit nominations (described in the "*Nominations – ME Rules*" paragraph) for portfolios in which the BRP and the BSP coincide, i.e. for those in which only the BRP is entitled to make nominations. For a unit in which the BRP and the BSP coincide, i.e. for a unit in respect of which only the BRP is entitled

²⁴ Translator's note. Under the TIDE, a UAS (*Unità Abilitata Singolarmente*) is a single generating or consuming unit that may be enabled to provide ancillary balancing services.

²⁵ The technology-based distinction only applies to injection units and not to withdrawal units.

²⁶ Translator's note. Under the TIDE: UVN (*Unità Virtuale Nodale*) is a virtual nodal unit; UVZ (*Unità Virtuale Zonale*) is a virtual zonal unit; and UNAP or UnAP (*Unità non Abilitata da Programmare*) is a non-enabled unit to be scheduled.

²⁷ In the MSD, use is necessarily made of unit bidding, since the units participating in this market are the UAS (for which the TIDE does not permit any aggregation into portfolios), the UVAZ and the UVAN, the latter also participating in the MGP and MI.

to make nominations, if no “explicit” nomination has been registered, then the implicit nomination instrument will automatically allocate the volume corresponding to the commercial position of the portfolio consisting of such a unit as a value that has been “implicitly” nominated.

The implicit nomination instrument is not only consistent with portfolio creation criteria, but it also significantly reduces the operational charges incurred by BRPs, minimising their operational risks. With the new market design introduced by the TIDE, the results of the MGP will no longer give rise to unit schedules, but only to commercial positions that each Market Participant (BRP/delegated agent or BSP) must then “convert” into nominations (i.e. schedules) for the individual units. Hence, to maintain operational security in dispatching activities, the first nomination stage²⁸ – i.e. the starting point of the MSD (in which not only the UAS, but also the UVN and the UVZ participate) – should continue to rely on a structural back-up instrument. This instrument, which is today represented by the results of the MGP and of the MI-A1, will be the implicit nomination in the new market design introduced by the TIDE.

It should also be noted that a similar need for strengthening operational security measures is justified by the fact that nomination windows will rise from 24 to 96, with the transition to 15-min trades and nominations.

GME feels that its proposal to provide (at least initially) both for the coincidence between individual units and portfolios, and for the implicit nomination instrument can ensure simplification and continuity with the current operational set-up of the market, as well as risk minimisation. This is all the more true when considering the Italian market, whose proper operation is key to system security, because the market itself will give rise to the first zonal dispatching of the entire Italian generating mix.

GME has formulated its changes to the ME Rules and the PCE Rules submitted for consultation on the basis of the above-described solution. However, GME will also explore the feasibility of an alternative solution, which might be adopted after 1 January 2025.

Under this alternative solution, some types of units might be aggregated into portfolios by default.²⁹

²⁸ Reference is being made to the so-called “pre-nomination” that is today made within 17:00.

²⁹ In any event, this aggregation would not concern the UAS and should necessarily satisfy the technology constraints indicated by the TIDE.

GME will be able to carry out a more comprehensive assessment of the feasibility of this aggregation and to select the types of units to be aggregated not only on the basis of the feedback from respondents to this consultation, but also after knowing the actual number of units other than the UAS that are referred to in the TIDE. In this way, GME could take into account the actual costs and benefits that this possible aggregation might involve for the activities of Market Participants (both institutional and non-institutional).

It remains understood that, in any event, the option of aggregating some types of units should be subject to the following requirements: 1) this aggregation should apply by default to some types of units other than the UAS, without any possibility for each Market Participant to select from time to time whether and how to aggregate units³⁰; and, in any event, 2) the implicit nomination instrument should be maintained in order to safeguard operational security upon the nomination stage³¹.

Question no. 11

Do you agree on GME's proposal that, at least initially, portfolios will always consist of a single unit, so as to manage the transition to the TIDE market design under security conditions and to provide Market Participants with the implicit nomination instrument in order to minimise the operational risks associated with the scheduling stage?

- Yes
- No

Please, explain the reasons for your answer.

³⁰ In this case, the units that would be aggregated into portfolios could not be offered individually. Moreover, for the units that would be aggregated by default into a single portfolio, also the delegation instrument would need to be revised. In particular, a delegation could be granted for all the units being aggregated by default (i.e. for the portfolio), but not for individual units. Thus, the option to present delegations for individual units would be introduced only for the individual units making up a portfolio and for which no aggregation by default into a portfolio would be provided for.

³¹ For units possibly aggregated by default into a portfolio, failing an explicit nomination by the BRP/BSP, an implicit nomination would be allocated according to a conventional criterion, by sharing the commercial position among the units making up the portfolio (e.g. proportionally to their step-up/step-down margins).

Question no. 12

Do you deem it useful that, after 1 January 2025, 1) GME will provide for an aggregation by default of some types of units (different from the UAS and subject to the technology constraints specified by the TIDE) into a single portfolio; and that 2), failing an explicit nomination for such units, an implicit nomination based on a conventional criterion will be adopted?

- Yes
- No

Please explain the reasons for your answer

3.2.2 PORTFOLIOS – PCE RULES

With the introduction of portfolio bidding in the electricity market, the new PCE Rules will provide that each BRP or delegated agent shall hold electricity accounts associated with zonal portfolios (in place of units), as specified in the draft rules.

As GME has proposed to introduce, in the electricity market, portfolios that consist of individual units, this choice will make it possible to hold mirror portfolios on the PCE and thus pursue the following goals:

- a) refer bids on electricity accounts to the same units – making up the individual portfolios – both on the PCE and in the MGP;
- b) define bids that are adequate with respect to portfolio margins, when the parties delegated to operate on the PCE and in the MGP for the same portfolio are different.

Therefore, amendments to the PCE Rules have been made taking into account the above considerations. Nonetheless, as indicated in the previous section, if the majority of respondents to this consultation express preference for aggregation processes, then GME will take into consideration (as an alternative solution) the creation of portfolios consisting of multiple units, aggregated on the basis of criteria applied by default by GME itself. This would: 1) ensure the harmonisation of portfolios for PCE and MGP Participants, thereby enabling them to submit bids on electricity accounts pertaining to the same object; and 2) allow GME to carry out appropriate adequacy verifications with respect to the portfolio margin, if different Market Participants have been delegated to operate on the PCE and in the MGP for the same portfolio.

3.2.3 TECHNICAL AND FINANCIAL ADEQUACY VERIFICATIONS – ME RULES

Under the new ME Rules, Market Participants may submit bids pertaining to market time intervals of different duration, which are multiples of the minimum 15-min granularity. This choice involves changes to the criteria adopted for both technical and financial adequacy verifications. As indicated in detail in the draft new ME Rules, technical adequacy verifications (verification of the adequacy of margins) will be carried out with respect to the value of the initial margin, notified by Terna and applicable to the market session, for each applicable period and each unit (hereafter initial margin).

This margin will change by processing (according to the sequence indicated below) the following bids in respect of:

1. Simple products - 15 min
2. Simple products - 30 min, only in the MGP and MI-A
3. Simple products - 60 min
4. Complex products - blocks, only in the MGP and MI-A.

Under this mechanism, a bid submitted by a Market Participant is adequate when its volume is lower than the lowest of the residual margins pertaining to the applicable periods that are included in the market time interval to which the bid being verified refers. Here is an example:

Portfolio A (hereafter P_A) of injection with initial margin of 0–100

- **Bid₁** 15-min 11:00–11:15 on P_A for a $V = 30$ MW → the bid referring to the applicable period 11:00–11:15 is adequate; consequently, the initial margin will change to 0–70;
- **Bid₂** 15-min 11:15–11:30 on P_A for a $V = 20$ MW → the bid referring to the applicable period 11:15–11:30 is adequate; consequently, the initial margin will change to 0–80;
- **Bid₃** 30-min 11:00–11:30 on P_A for a $V = 40$ MW → after verifying that bid₁ and bid₂ pertaining to market time intervals of shorter duration are adequate, the adequacy of bid₃ will be verified considering, as the margin, the lowest among the residual margins pertaining to the applicable periods included in the market time interval of the same bid₃. In this way, the volume specified (40 MW) in bid₃ is certainly adequate both in the applicable period 11:00–11:15 and in the applicable period 11:15–11:30.
- **Bid₄** 60-min 11:00–12:00 on P_A for a $V = 50$ MW → after verifying that bid₁, bid₂, and bid₃ pertaining to market time intervals of shorter duration are adequate, the adequacy of bid₄ is verified

considering, as the margin, the lowest among the residual margins pertaining to the applicable periods included in the market time interval of the same bid₄. In particular, use is made of the margin 0–30, obtained by reducing the initial margin of 0–100 by the higher volumes of bids referring to market time intervals of lower duration already verified to be adequate (from the initial margin, we subtract first the highest of the volumes of bids already verified to be adequate in the individual 15-min intervals and, then, the highest of the volumes of bids already verified to be adequate in the individual 30-min intervals). In this way, the volume specified (50 MW) in bid₄ is certainly inadequate both in the applicable period 11:00–11:15 and in the applicable period 11:15–11:30. Hence, as bid₄ has not been verified to be adequate in all the applicable periods included in the 60-min interval, it will be rejected as inadequate.

Likewise, financial adequacy verifications will be based on the same criteria, i.e. taking into account the different market time intervals having a duration shorter than or equal to the one to which the bid being verified refers. Hence, the bid will be considered to be adequate, if its value is lower than the amount of the residual guarantee calculated for all market time intervals having a duration shorter than the one to which the same bid refers.

3.2.4 TECHNICAL AND FINANCIAL ADEQUACY VERIFICATIONS – PCE RULES

For technical adequacy verifications of requests for registration of transactions on the PCE, there will be no changes with respect to the verifications that are currently carried out.

For financial adequacy verifications that, as is known, are limited to payables/receivables in respect of the CCT, the reader is referred to the paragraph on “*Guarantees – PCE Rules*”.

3.3 NOMINATIONS

Reference legislation:

- **arts. 59, 60, 62 para. 2, ME Rules, and Technical Rule no. 22 rev1 MPE.**

3.3.1 NOMINATIONS – ME RULES

With the introduction of the TIDE, the nomination platform (PN) will play a more general role and will no longer be associated only with transactions made in the MI-XIBID. In other words, it will become a virtual venue where the parties defined in art. 17 of the TIDE will have to nominate the commercial positions that they have cumulatively acquired in the MGP and MI in a specific bidding zone, thus including bids on forward electricity accounts resulting from the PCE, in order to determine the basic schedule.

The nomination procedure set forth in the new ME Rules will implement the provisions issued by ARERA for the transitory period (art. 28.10 of the TIDE concerning *provisions on scheduling during the transitory stage*). In particular, these provisions establish that there should be separate balances for injection and withdrawal. This means separate nominations for the related units. Moreover, although nominations of opposite sign (injection and withdrawal) can be made in respect of generating units³², a nomination made in respect of distinct generating and consuming units should be altogether consistent with the sign of the commercial position of physical portfolios of injection and withdrawal, respectively, and not exceed such commercial position. Otherwise, GME will correct the above nomination until reaching the amount of the net position according to the following order (defined in Technical Rule no. 22 rev01 MPE in compliance with art. 28.10 of the TIDE):

- in the first place, GME will correct the nominations in respect of the UnAP (Schedulable Non-Enabled Units);
- in the second place, GME will decrease the nominations in respect of the UVZ (Virtual Zonal Units);

³² Generating units include pumped-storage units, storage systems other than those indicated in the former Legislative Decree 210/21, and ancillary services, in respect of which withdrawal nominations may be registered.

- finally, if after applying the above reductions the nomination is still higher than the commercial position, GME will indistinctly correct the nominations made for the UVN and UAS.

For each of the above categories, if injection nominations are to be reduced, GME will correct such nominations by inversely following the merit order referred to in art. 2.4.3 of the TIDE (indicating a technology-based distinction for generating units). Within the same technological category, GME will then make the correction by applying a *pro quota* criterion until reaching the amount of the overall commercial position of the Market Participant.

If withdrawal nominations are to be reduced, as the TIDE does not introduce any technology-based distinction, GME will make corrections for each of the above-mentioned categories (UnAP, UVZ, UVN, and UAS): in the first place, it will correct the nominations according to the above-mentioned order for injection units; and, in the second place, it will only apply the *pro quota* criterion.

It is worth pointing out that the zonal commercial position of physical injection/withdrawal portfolios is determined on the basis of transactions completed on the physical injection/withdrawal portfolios associated with the same BRP, whatever the party entitled to submit bids in respect of such portfolios (BRP or delegated agent). Thus, if a BRP has delegated other parties to manage his/her/its units in the market, then for such BRP an overall commercial position will be determined for each applicable period and each zone, in respect of all the injection/withdrawal portfolios associated with such BRP, even if such portfolios have been offered in the market by Market Participants delegated by such BRP.

The nomination shall be made by Market Participants entitled to carry out such activity on each type of unit, either as BRPs (or delegated agents) or as BSPs. BSPs will not have the option of delegating agents. However, if Market Participants so request, GME will make available this option, as described in the paragraph on “*Parties authorised to operate in the ME – ME Rules*”, in accordance with the TIDE.

The nomination shall be made for each applicable period (ISP), corresponding to 15 min. Indeed, upon the entry into force of the ME Rules, as amended in conformity with the TIDE (1 January 2025), the ISP will be equal to 15 min.

The new ME Rules will retain the “implicit nomination” for portfolios in which the BRP and BSP coincide or in which the BRP is entitled to make nominations. Pursuant to this provision, the nominations of the commercial positions resulting from the energy markets on each zonal portfolio will be automatically transferred to the PN.

Market Participants will retain the option to change the implicit nomination automatically transferred by GME’s systems. In any event, this nomination will also serve as a back-up nomination. GME feels

that the confirmation of the implicit nomination instrument in the instances mentioned above: 1) is consistent with the portfolio building criteria that it has selected and previously described; 2) it significantly decreases the operational charges incurred by BRPs qualifying at the same time as BSPs, or BSPs entitled to make nominations; consequently, 3) it minimises operational risks, ensuring a proper operation of the market, which is key to system security, as it is the market that will determine the dispatching of the entire Italian generating mix.

As for residual nominations³³, GME will define them in each zone and for each BRP under the following criteria:

- the difference between the commercial position of all the physical injection schedules,³⁴ consisting of the units of the BRP, and the sum of nominations registered on the same units³⁵ will give rise to the allocation of a residual nomination of injection to the UVZ FRNP³⁶ of the BRP;
- the difference between the commercial position of all the physical withdrawal schedules,³⁷ consisting of the units of the BRP, and the sum of the nominations registered on the same units³⁸ will give rise to the allocation of a residual nomination of injection to the consuming UVZ.

The introduction of residual nominations will eliminate transactions for imbalances with respect to schedules in the MI-XBID and the consequent payables/receivables.

³³ Residual nominations = *Nomine a saldo* in the Italian version of the DCO.

³⁴ Excluding the physical portfolios corresponding to the UVI (*Unità Virtuali di Importazione* – Virtual Import Units).

³⁵ Excluding nominations pertaining to the UVI.

³⁶ UVZ FRNP = *Unità Virtuale Zonale/Fonte Rinnovabile Non Programmabile* (Virtual Zonal Unit/Non-Schedulable Renewable Source)

³⁷ Excluding the physical portfolios corresponding to the UVE (*Unità Virtuali di Esportazione* – Virtual Export Units)

³⁸ Excluding nominations pertaining to the UVE.

4. TIMEFRAMES AND SCENARIOS FOR IMPLEMENTATION OF CHANGES

As indicated in the Foreword, the changes reported in this document describe a scenario in which the integration of the TIDE provisions will take place at the same time as the remaining contextual conditions referred to in the paragraph on “Contextual Changes”. However, as of 1 January 2025 (expected date of entry into force of the TIDE), these contextual changes may have been implemented only in part. On this assumption, the final implementation of the new market design will take place on the basis of evolutionary scenarios whose underlying contextual conditions should necessarily follow a functional-logical sequence. The following table shows the above possible scenarios in each market making up the ME, including the PN.

The following table shows the sequence of implementation of the changes described in this consultation document starting on 1 January 2025. For each of the 3 temporal stages, the Table shows the key features of the configuration of each market (MGP, MI-A, MI-XBID, and PN). New features introduced as a result of specific “changes to the market design” are highlighted in green.

Changes to market design	1 January 2025				January 2025 (to be confirmed)	Date to be defined ^{ooo}
		Replacement of the national single price (see para. 2 above)	TIDE	15-MIN ISP	15-MIN MTU in MI-A	15-MIN MTU in MGP* & Multiple MTUs in MGP°

Markets and PN	MGP	Valuing of demand-side bids at zonal prices				Valuing of demand-side bids at zonal prices	Valuing of demand-side bids at zonal prices
		Blocks				Blocks	Blocks
		MTU = 60 min				MTU = 15 min + 30 min + 60 min	MTU = 15 min + 30 min + 60 min
			Merit order post coupling			Merit order post coupling	Merit order post coupling
			Unit of measurement of bids: MW + 1 DEC			Unit of measurement of bids: MW + 1 DEC	Unit of measurement of bids: MW + 1 DEC
	MI-A	Blocks				Blocks	Blocks
		MTU = 15 min				MTU = 15 min	MTU = 15 min+30 min+60 min
			Merit order post coupling			Merit order post coupling	Merit order post coupling
			Unit of measurement of bids: MW + 1 DEC			Unit of measurement of bids: MW + 1 DEC	Unit of measurement of bids: MW + 1 DEC
	MI-XBID			MTU = 15 min + 30 min + 60 min		MTU = 15 min + 30 min + 60 min	MTU = 15 min + 30 min + 60 min
		Blocks ^{oo}				Blocks ^{oo}	Blocks ^{oo}
			Unit of measurement of bids: MW + 1 DEC			Unit of measurement of bids: MW + 1 DEC	Unit of measurement of bids: MW + 1 DEC
	PN		Unit of measurement of nominations: MW + 3 DECs			Unit of measurement of nominations: MW + 3 DECs	Unit of measurement of nominations: MW + 3 DECs
				Applicable period = 15 min		Applicable period = 15 min	Applicable period = 15 min

**The exact date of availability of the 15-min MTU in the MGP will be defined by the project of European coupling of day-ahead markets (SDAC) and 15-min MTU will be provided simultaneously to all European day-ahead markets.*

° The exact date of availability of Multiple MTUs in the MGP will be defined by the project of European coupling of day-ahead markets (SDAC) and Multiple MTUs will be provided simultaneously to all European day-ahead markets.

°° Blocks will be made available only if they are requested by the majority of respondents to the consultation that GME will hold to change Regulatory Documents.

°°° The date of introduction of Multiple MTUs in the MI-A is expected to be established by European projects, after European simulations have confirmed that the performance of the algorithm used for coupling intraday auctions (MI-A) can support such MTUs.