

MANAGEMENT OF ANNUAL AND MULTI-ANNUAL PRODUCT AUCTIONS

This document describes the method for managing an ascending clock auction for the allocation of annual and multi-annual regasification capacity products to be applied to both OLT and GNL Italia.

The allocation, also in the OLT segment, will be by slot¹ - as requested by OLT itself - whose related capacity is indicated by the regasification companies when sending the file containing the details of the product being allocated.

For each product, one or more reserve price levels can be defined (hereinafter PR_n), at which incremental amounts of slots are made available for allocation.

Regardless of the number of PR levels defined for each product, the allocation price must be single. To comply with this criterion, the allocation procedures may include multiple auctions to be held at the different reserve price levels.

In light of the above, please consider for a given product having three PR_n levels, indicated respectively with PR₁, PR₂, and PR₃ with:

- PR₁ < PR₂ < PR₃
- high step GAPR₁ to be applied to PR₁, equal to x% of PR₁, with 0 < x < 1
- low step GBPR₁ to be applied to PR₁, equal to y% of GAPR₁, with 0 < y < 1
- high step GAPR₂ to be applied to PR₂, equal to x% of PR₂, with 0 < x < 1
- low step GBPR₂ to be applied to PR₂, equal to y% of GAPR₂, with 0 < y < 1
- high step GAPR₃ to be applied to PR₃, equal to x% of PR₃, with 0 < x < 1
- low step GBPR₃ to be applied to PR₃, equal to y% of GAPR₃, with 0 < y < 1
- a number of slots that can be allocated starting from PR₁ equal to nSL₁
- a number of slots that can be allocated starting from PR₂ equal to nSL₂
- a number of slots that can be allocated starting from PR₃ equal to nSL₃
- by construction nSL₃ > nSL₂ > nSL₁
- n_{GAPR_i} is the number of high steps between PR_i and PR_{i+1}
- n_{GBPR_i} is the number of low steps between two high steps

GME initially opens the tender for the collection of offers for a number of slots amounting to nSL₁.

Participants must send their offers indicating in a box the number of slots they intend to buy at each price level.

The price levels in relation to which participants must indicate the amounts² they wish to purchase range from PR₁ to PR₂, end values included, and are as follows:

¹ At the present, for OLT the allocation of products subject to annual and multi-annual auctions is the m3liq

² The maximum limit for the amount that each participant may offer is nSL₁. This implies that a participant wishing to purchase a slot number greater than nSL₁, must however offer at most nSL₁ during this auction and if he/she/it is the only one to offer at one of the price levels available in this procedure, he/she/it will purchase a number of slots equal to nSL₁ without activating a second procedure.

- the number of high steps is equal to: $n_{GAPR1} = \frac{PR_2 - PR_1}{GAPR_1}$. The height of the steps³, referred to in Resolution 186/2018/R/ gas, point 2, is approximated so that n_{GAPR1} is exactly equal in its construction to an integer.
- between two contiguous levels of high steps, from a number of low steps equal to $n_{GBPR1} = \frac{1}{y\%}$ referred to in resolution 186/2018/R/ gas, point 2. In this case, by construction, y should always be such as to have n_{GBPR1} equal to an integer.

Once the session for the submission of the offers has been closed, GME shall carry out the auction according to the matching rules of the ascending clock auction and if:

- a solution is found at any of the price levels available for this auction, with the allocation of a number of slots equal to or less than nSL_1 in favour of more than one participant, or in favour of a single participant who had not submitted offers for a slot number equal to nSL_1 for all price steps, then no other auction shall be carried out for this product and the solution is found at the price level at which the first undercutting (amount offered $\leq nSL_1$) generated.
- a solution is found at any of the price levels available for this auction, with the allocation of a number of slots equal to nSL_1 in favour of a single participant who had submitted offers for a number of slots equal to nSL_1 for all price steps, GME shall not immediately confirm the solution as a result of the auction, but shall inform the participants and the regasification company and shall organise a second auction in which the reserve price used as the auction base is PR_2 , thus allowing the participant potentially assignee to submit offers for slots larger than those allocated in the first auction. Only the participant who would have been the assignee in the first procedure⁴ may participate in this second auction.
- no solution is found at the last price level $PR_1 + (n_{GAPR1} \times GAPR_1)$, GME shall inform the participants and the regasification company and shall organise a second auction in which the reserve price used as the auction base is PR_2 . Only the participants who had submitted offers for the last step of the previous auction may participate in this second auction.

For this second auction, to be held after the first, the session for the submission of the offers is reopened. In order to guarantee that only the participants who submitted offers at the last step of the first procedure take part in the second procedure, the procedure will be as follows:

- GME communicates the "preliminary" results to the regasification company
- the regasification company sends GME a new "file" with the information needed to open the second procedure (reserve price, steps, authorised users and related guarantees), including only the participants authorised to participate on the basis of preliminary results previously transmitted by GME

Although this auction represents the continuation of the previous one, technically it is a separate procedure and therefore checks on the consistency of the offers submitted in this second procedure with those submitted in the previous procedure shall not be carried out⁵.

For the second auction:

³ It is necessary to define the height of the steps so that their number is exactly equal to an integer.

⁴ If the participant fails to submit offers in this second procedure, then GME shall confirm the result obtained in the previous procedure.

⁵ GME may not verify that participants offer non-increasing amounts compared to the amounts offered in the previous procedure. Furthermore, there could be the case of participants offering larger amounts because they need a greater number of slots than nSL_1 , but in the previous procedure they may not offer a greater amount since nSL_1 was the related offer limit.

- the maximum limit of the amounts that each participant can purchase is nSL_2
- the number of high and low steps is calculated in the same way as in the previous auction, but starting from a reserve price equal to PR_2

Once the session for the submission of offers for this second auction is closed, GME shall carry out the auction according to the matching rules of the ascending clock auction and if:

- a solution is found at any of the price levels available for this auction, with the allocation of a number of slots equal to or less than nSL_2 in favour of more than one participant, or in favour of a single participant who had not submitted offers for a slot number equal to nSL_2 for all price steps, then no other auction shall be carried out for this product and the solution is found at the price level at which the first undercutting (amount offered $\leq nSL_2$) generated.
- a solution is found at any of the price levels available for this auction, with the allocation of a number of slots equal to nSL_2 in favour of a single participant who had submitted offers for a number of slots equal to nSL_2 for all price steps, GME shall not immediately confirm the solution as a result of the auction, but shall inform the participants and the regasification company and shall organise a second auction in which the reserve price used as the auction base is PR_3 , thus allowing the participant potentially assignee to submit offers for slots larger than those allocated in the first auction. Only the participant who would have been the assignee in the first procedure may participate in this third auction⁶.
- no solution is found at the last price level $PR_2 + (n_{GAPR_2} \times GAPR_2)$, GME shall inform the participants and the regasification company and shall organise a third auction in which the reserve price used as the auction base is PR_3 . Only the participants who had submitted offers for the last step of the previous auction may participate in this third auction.

Similarly, for this third auction, to be held after the second, the session for the submission of the offers is reopened. In order to guarantee that only the participants who submitted offers at the last step of the second procedure take part in the third procedure, the procedure will be as follows:

- GME communicates the "preliminary" results to the regasification company
- the regasification company sends GME a new "file" with the information needed to open the third procedure (reserve price, steps, authorised users and related guarantees), including only the participants authorised to participate on the basis of preliminary results previously transmitted by GME

Although this auction represents the continuation of the previous one, technically it is a separate procedure and therefore checks on the consistency of the offers submitted in this third procedure with those submitted in the previous procedure shall not be carried out⁷.

For the third auction:

- the maximum limit of the amounts that each participant can purchase is nSL_3
- the number of high and low steps is calculated in the same way⁸ as in the previous auction, but starting from a reserve price equal to PR_3

⁶ If the participant fails to submit offers in this third procedure, then GME shall confirm the result obtained in the previous procedure.

⁷ See note 5.

⁸ Only for the calculation of the height of the high and low steps. As for the number of steps, lacking PR_4 , the choice can be left up to each regasification company

Once the session for the submission of offers for this third auction is closed, GME shall carry out the auction according to the matching rules of the ascending clock auction and if:

- a solution is found at any of the price levels available for this auction, with the allocation of a number of slots equal to or less than nSL_3 in favour of more than one participant, or in favour of a single participant who had not submitted offers for a slot number equal to nSL_3 for all price steps, then no other auction shall be carried out for this product and the solution is found at the price level at which the first undercutting (amount offered $\leq nSL_3$) generated.
- no solution is found at the last price level $PR_3 + (n_{GAPR_3} \times GAPR_3)$, GME shall inform the participants and the regasification company and shall organise a fourth auction in which the reserve price used as the auction base is $PR_3 + (n_{GAPR_3} \times GAPR_3)$, lacking the additional reserve price level and being $PR_3 + (n_{GAPR_3} \times GAPR_3)$ the last price step analysed in the immediately preceding auction phase with reference to which, however, no solution was found.

Please note that the possibility of organising other auctions if no solution is found at the last price level is already provided for in the Technical Rules 10 referred to in the Platform for the Allocation of Regasification Capacity Rules. The difference introduced by Resolution 234/2019/R/GAS of 11 June 2019 from the presence of more reserve prices is only the number of slots available for allocation at each reserve price.