



# **VADEMECUM TO THE OTC REGISTRATION PLATFORM (PCE)**

**Gestore dei Mercati Energetici S.p.A.**

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## Introduction

### 1. GME's role

#### *The Italian system for the exchange of electricity*

The liberalization process of the electricity sector was started in Italy in 1999 with the entry into force of Legislative Decree no. 79/99, which has implemented the EC Directive "concerning common rules for the internal electricity market" (Directive 96/92/EC), subsequently repealed by Directive 2003/54/EC.

By virtue of this Decree (Art. 5), it was established in our Country a regulated system for the purchase and wholesale of electricity, which is the Electricity Market, commonly known as "Power Exchange", on which it's possible to buy and sell quantities of electricity for the next day (spot market).

The Electricity Market, active since March 31, 2004, is managed by Gestore dei Mercati Energetici S.p.A. (GME), a company established by the Decree, which acts as a central counterparty in trades recorded on the power exchange.

The power exchange, however, is not mandatory; electricity, in fact, can also be bilaterally contracted, or on the basis of free agreements between Market Participants. As part of these contracts, the prices and quantities are freely determined by the Contracting Parties.

Even in this area, GME plays an important role. GME, in fact, manages the Forward Electricity Account Trading Platform (PCE), which is the platform through which the Market Participants that have concluded contracts outside the bidding/offering system record the commercial obligations and declare their injection and withdrawal plans of electricity, thus undertaking to act under those contracts.

GME manages the PCE under Art. 16 of Annex A of Resolution no. 111/06, which established that Terna - Rete Elettrica Nazionale S.p.A. (Terna)<sup>1</sup> is responsible for the registration of forward purchases and sales and injection and withdrawal plans of electricity and performs this service also through the work of GME.

GME, therefore, built and manages the PCE, playing such a role in its own name and on behalf of Terna, based on what is contained in the Rules of the Forward electricity accounts platform (PCE Rules) and the Technical Rules (DTF) prepared pursuant to Article 17 of Annex A of Resolution no. 111/06 by GME under criteria of neutrality, transparency, objectivity and competition between Market Participants.

### 2. The registration of bilateral contracts

#### *The Bilateral Platform (PB) and the PCE*

The physical execution of bilateral contracts requires the registration of such contracts, as provided by the rules established by the Italian Regulatory Authority for Energy, Networks and Environment

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<sup>1</sup> Italian company responsible for the transmission and dispatching of electricity on the high and extra high voltage grid throughout the Country.

(ARERA), the National Authority established by Law of 14 November 1995, n. 481 and in charge of the regulation and control of the electricity and gas sectors.

For registration of such contracts, in 2004 it was introduced the Bilateral Platform (PB), managed by Terna, whose management, by virtue of a special agreement, was entrusted to GME.

Resolution no. 111/06 of ARERA (as subsequently amended and supplemented) amended the procedures for registration of the bilateral agreements, providing for a new registration system, which is a "system of energy accounts", designed to improve - through the removal of certain constraints and rigidity of the PB - the flexibility of the platform for registration of bilateral contracts and, thus, the ability of Participants to optimize the management of their energy portfolios in the medium to long term. This Resolution provides for the introduction of a new platform, called OTC Registration Platform (PCE); the operation and management of the PCE, in its own name and on behalf of Terna, were entrusted to the GME.

The PCE replaced the previous PB on 1 April 2007

### **3. The OTC Registration Platform (PCE)**

#### ***The registration system of bilateral contracts***

PCE provides Participants with greater flexibility in the management of purchases and sales of electricity concluded through bilateral contracts.

**The distinction between the recording activity of commercial transactions and the recording activity of the resulting physical programs is one of the main elements of flexibility introduced by the PCE.** So, on the PCE, Participants can record forwards business transactions and, at a later stage, their withdrawal and injection programs that Participants undertake to perform.

On the PCE electricity accounts are attributed to each Participant for the injection and withdrawal, depending on the type of unit (production/consumption) availability to each.

On each account they can be registered forward purchase as well as sales transactions as long as the net position of the account (obtained as the sum of purchases and sales recorded) always remains consistent with the type of account, that is always a net sale - with reference to electricity accounts to be injected - and a net purchase -with reference to electricity accounts to be to be withdrawn.

The purchase and sale of electricity between the parties (i.e. the rise for the Participant "originator" of the obligation to inject into the grid the electricity sold and the rise for the Participant "buyer" of the right to withdraw from the network the purchased electricity) are with the registration of the trade transaction and are completely free from the later registration of physical programs. Trade transactions can be recorded to a maximum time horizon of two months.

After the recording of trade transactions, the recording of the physical programs takes place. At this stage each Participant declares, with reference to production/consumption units owned, injection/withdrawal programs consistent with the net position created on his/her/its electricity accounts.

The introduction of a margin control mechanism is used to define the up/down margin of each electricity account for injection/withdrawal as the sum of the up/down margins of the offer points (units) belonging to the same account and the corresponding to the power that can be produced/taken from each unit.

The up/down margin of an account is the maximum amount of electricity that can be sold/purchased, in each hour, with reference to the same account. This mechanism, therefore, ensures that Participants do not sell more electricity than that they can actually produce.

The management system of the PCE also assures a greater financial exposure control of the Participants to GME and Terna.

The financial condition of Participants is constantly monitored in order to prevent them taking on debt positions not adequately guaranteed, putting at risk the successful completion of the payables payments that are determined on the PCE, to GME and Terna.

#### **4. Reference standards**

◆ **ARERA Resolution no. 111/06** (as amended and supplemented)

*"Conditions for the provision of the public electricity dispatching service on the national territory and for supplying the relevant resources on the basis of economic merit, under Articles 3 and 5 of Legislative Decree of 16 March 1999 no. 79."*

With effect from 1 April 2007 and valid from the day of flow, namely from 1 May 2007, it introduces a platform for recording forward purchases and sales of electricity and the corresponding injection and withdrawal programs (the Electricity Account Trading Platform - PCE), placing this activity within the framework of the dispatching services that are the responsibility of Terna and that GME performs in its own name and on behalf of Terna.

The Resolution in question is accompanied by an **AIR Report (Analysis of Impact of Rules)** set forth in Art. 12 of simplification law no. 229/03, which illustrates the process followed for the approval of the Resolution itself. This report, emphasizing the critical issues that this resolution has wanted to address, indicates, among the economic reasons that led to the drafting and approval of the same resolution, the need to increase, through the removal of some constraints and rigidities in previously used systems, the flexibility of the registration of forward purchases and sales platform, also in order to promote the development of markets for the forward trading of electricity.

◆ **Transmission, dispatching, development and safety code of the grid** (Grid Code, as subsequently amended and supplemented)

Prepared by Terna pursuant to Art. 1, paragraph 4, of the Decree of the President of the Council of Ministers of 11 May 2004 and entered into force on 1 November 2005, it regulates the procedures related to the connection, management, planning, development and maintenance of the national transmission grid, as well as to electricity dispatching and metering.

◆ **Integrated Text of the Electricity Market Rules**

(Integrated text)

Approved by Ministerial Decree of 19 December 2003 and subsequently amended and supplemented. It contains the operating rules of the electricity market pursuant to Art. 5 of Legislative Decree of 16 March 1999, no. 79.

◆ **Rules of the Forward Electricity Account Trading Platform**

(PCE Rules)

Set forth in Art. 17 of ARERA's Resolution No. 111/06 (as subsequently amended and supplemented), positively verified by the Director of the Markets of ARERA with resolution of 7 February 2007, it

regulates the procedures for the registration of forward purchases and sales of electricity and the corresponding injection and withdrawal plans by the PCE.

◆ **Technical Rules**

(DTF)

They define the implementing and procedural provisions of the PCE Rules.

## GUIDE TO THE OTC REGISTRATION PLATFORM

### 1 PARTICIPATION REQUIREMENTS AND ADMISSION PROCEDURE

**Dispatching users** and **subjects delegated by them** to register on dispatching points in their responsibility to forward purchase and sale and/or injection or withdrawal plans may be admitted to the PCE. They shall also possess adequate experience and proficiency in the use of ICT systems and related security systems, or shall make use of employees or assistants with such experience and competence.

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

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

Upon admission, the applicant acquires the status of **Participant**<sup>2</sup>. This status is by-right attributed to *Acquirente Unico (AU)*, *Gestore dei Servizi Energetici (GSE)* and Terna S.p.A.

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<sup>2</sup> Participant means the natural or legal person that is admitted to trading on the PCE.

All the parties admitted to the PCE are entered into a **List of Participants** that GME administers in compliance with EU Regulation 679/2916 on personal data privacy. For each Participant included in the list, GME will specify (together with other information):

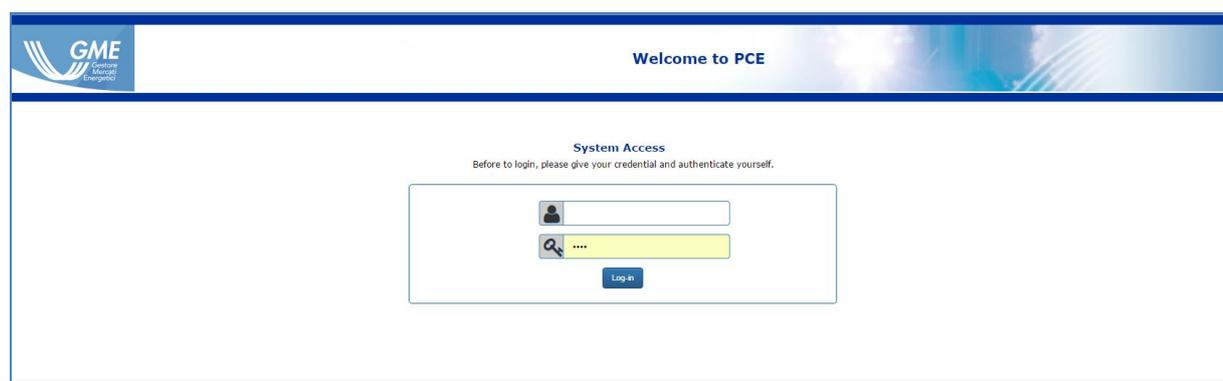
- 1) the code of the electricity accounts of which the Participant is the owner and on which he/she/it can record transactions of purchase and sale of electricity, as well as injection and/or withdrawal plans,
- 2) the code of the electricity accounts of which the Participant is not the holder but on which he/she/it is entitled to register purchase and sale transactions of electricity as delegated by the holder of the energy account.

On GME's website ([www.mercatoelettrico.org](http://www.mercatoelettrico.org)) it is also published a list of Participants, setting out only the first and last name (or company name) of each Participant and the place of residence (or registered office).

## 2 ACCESS TO THE PCE INFORMATION SYSTEM

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

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



The screenshot shows the login interface for the PCE information system. At the top left is the GME logo (GME - Gestore Mercati Energetici). To the right, it says "Welcome to PCE". Below this is a "System Access" section with the instruction "Before to login, please give your credential and authenticate yourself." The login form contains two input fields: the first is for the user ID, and the second is for the password, which is masked with dots. A "Log-in" button is positioned below the password field.

### 3 FEES

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

The amount of the fees is approved by ARERA, upon proposal by GME. The fees currently applied and successfully verified with the ARERA's resolution are published on the website of GME [www.mercatoelettrico.org](http://www.mercatoelettrico.org).

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

#### **ACCESS FEE →**

Where applicable, it is invoiced **within 5 days from the admission** of the Participant to the PCE (under the modalities and within the time limits that are set out in the Technical Rules). The settlement by the Participant shall occur **within 30 calendar days** from the date of invoice released by GME (under the modalities and within the time limits that are set out in the Technical Rules).

#### **YEARLY FIXED FEE →**

Where applicable, it is invoiced, for the first 12 months, as a single payment within the third working day of the month subsequent to the admission one of the Participant in the PCE and, subsequently, every 12 months (under the modalities and within the time limits that are set out in the Technical Rules). The settlement by the Participant shall occur within the last working day of the month from the date of invoice released by GME (under the modalities and within the time limits that are set out in the Technical Rules).

#### **FEE PER MWH →**

It is applied separately to each transaction that is registered **in respect of the applicable periods** belonging to the same invoicing period (under the modalities and within the time limits that are set out in the Technical Rules).

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

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

Electricity accounts may be of three types:

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

- injection points, corresponding to generating units (UP);
- injection points belonging to neighbouring countries' virtual zones, corresponding to importing units (UPV);
- mixed points, corresponding to pumping units (UPMP)<sup>3</sup>.

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

- withdrawal points corresponding to consuming units belonging to geographical zones (UC);
- withdrawal points belonging to neighbouring countries' virtual zones, corresponding to exporting units (UCV);
- mixed points corresponding to pumping units (UPMP)<sup>4</sup>.

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

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<sup>3</sup> UPMP are considered only for injection.

<sup>4</sup> UPMP are considered only for withdrawal.

On **electricity accounts**,  
Participants may register



**FORWARD PURCHASES  
AND SALES**



**INJECTION AND  
WITHDRAWAL SCHEDULES**

The screenshot displays a web application interface for electricity market transactions. The top navigation bar includes links for Home, Informazioni, Transazioni Xml, Transazioni Commi, Garanzie Finanz., and Program. fisica. The main navigation menu lists Conto Energia, **Lista Conti Energia** (circled in red), Report Margini, Lista Unità, Nuova Transazione, and Lista Transazioni. The interface shows three sections: 'Immissione' with a form for account details, 'Prelevi' with a form for withdrawal details, and 'Deleghe' showing 'Nessun risultato trovato.' The top status bar indicates market status: 'Transazioni D+1 fino alle 10:00:00', 'Programmazione fisica D+1 fino alle 12:30:00', 'Programmi verificati', 'Inviati a MGP', 'Esito MGP', and 'Mercato chiuso'.

Transazioni D=1 fino alle 10:00:00 Programmazione fisica D=1 fino alle 12:30:00 Programmi verificati Inviati a MGP Esito MGP Mercato chiuso

Home Informazioni Transazioni Xml **Transazioni Comm.** Garanzie Finanz. Program. fisica Ultime Activities

Conti Energia **Lista Conti Energia** Report Margini Lista Unità Nuova Transazione Lista Transazioni 04/07/2016

Salva Priorità Aggiorna dati

Immissione

1 Conto CE-IMA-OEASBNR - Urente di displacemento : OEASBNR A.B. ENERGIE SPA, Margine iniziale a salire : 0, Margine iniziale a scendere : 0

Preleva

1 Conto CE-PRE-OEASBNR - Urente di displacemento : OEASBNR A.B. ENERGIE SPA, Margine iniziale a salire : -594000

Unità	PIC	Margine a salire (MW)	Margine a scendere (MW)	Classificazione	Priorità	Zona	PdSR	Alpha
440	UC_	CNOR	0	99000	0	CHOR	1	
441	UC_	CSUD	0	99000	0	CSUD	1	
442	UC_	NORD	0	99000	0	NORD	1	
443	UC_	SARD	0	99000	0	SARD	1	
444	UC_	SICI	0	99000	0	SICI	1	
445	UC_	SUD	0	99000	0	SUD	1	

Delega

Transazioni D=1 fino alle 10:00:00 Programmazione fisica D=1 fino alle 12:30:00 Programmi verificati Inviati a MGP Esito MGP Mercato chiuso

Home Informazioni Transazioni Xml **Lista Unità** Garanzie Finanz. Program. fisica Ultime Activities

Conti Energia Lista Conti Energia Report Margini **Lista Unità** Nuova Transazione Lista Transazioni 04/07/2016 Export Xml

Operatore Unità ALL Sottogruppo Unità ALL Zona ALL Classificazione ALL

Delega da Delega a Tutte Consumo Produzione Meta USD Q

Unità	PIC	Margine a salire	Margine disp.	Margine a sc.	Margine Già	Classificazio.	Priorità	Zona	PdSR	ETSO (USD)	Ragione Soc.	ETSO (Op. A.)	Rag. Sociale	AlfaQuote	Proxy Valido	Proxy Valido	Stato
UC_	Consumo	0	0	99000	99000		0	CNOR	PSR_CHOR				A.B. ENERGI...	1	01/01/2015		Abilitata
UC_	Consumo	0	0	99000	99000		0	CSUD	PSR_CSUD				A.B. ENERGI...	1	01/01/2015		Abilitata
UC_	Consumo	0	0	99000	99000		0	NORD	PSR_NORD				A.B. ENERGI...	1	01/01/2015		Abilitata
UC_	Consumo	0	0	99000	99000		0	SARD	PSR_SARD				A.B. ENERGI...	1	01/01/2015		Abilitata
UC_	Consumo	0	0	99000	99000		0	SICI	PSR_SICI				A.B. ENERGI...	1	01/01/2015		Abilitata
UC_	Consumo	0	0	99000	99000		0	SUD	PSR_SUD				A.B. ENERGI...	1	01/01/2015		Abilitata

## 5 AUTHORISATIONS

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

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

The authorisation referred to in Art. 24.2 does not transfer the ownership of the account<sup>5</sup>, which is retained by the authorising party. It only assigns to the authorised Participant the right to register purchase and sale transactions on the electricity account for which the authorisation has been granted. Hence, the transactions registered under such authorisation will contribute to determining the net position of the electricity account for which the authorisation has been granted and the holder of the account will have to register the consequent injection and withdrawal schedules.

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

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

The authorised Participant must submit the authorisation to GME for validation purposes; the authorisation must be issued in the format posted on GME's website and be signed by the legal representative of the authorising dispatching user. The authorisation should specify, among others, the capacity share  $\alpha$  (from 0 to 1) of the offer point that the dispatching user assigns to the authorised

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<sup>5</sup> For all the authorisations granted under Art. 24.2 of the PCE Rules, the verifications of the technical adequacy with respect to the margins of the electricity account and of the financial adequacy of the guarantees submitted to GME are made on the authorising party, as holder of the same account and negotiating counterparty towards GME.

Participant. A dispatching user may grant multiple authorisations to different Participants in respect of the same offer point, provided that the sum of the assigned capacity shares  $\alpha$  is smaller than or equal to one.

Thus, each Participant may hold the following electricity accounts:

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

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

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

Below are two illustrative cases of the authorizations above.

CASE 1: AUTHORISATION UNDER ART. 24.2 OF THE PCE RULES. OPERATOR A (ACCOUNT HOLDER) AUTHORIZES OPERATOR B				
Registration of commercial transactions		<input type="checkbox"/>	Registration of physical schedules	
CE-IMM Operator A	CE-PRE Operator A		CE-IMM Operator A	CE-PRE Operator A
Operator A and Operator B may register commercial transactions on the electricity account of Operator A	<i>Idem</i>		Only Operator A may register physical schedules in respect of units associated with the electricity account of Operator A	<i>idem</i>
CASE 2: AUTHORISATION UNDER ART. 24.3 OF THE PCE RULES. OPERATOR A (DISPATCHING USER) AUTHORIZES OPERATOR B TO USE ONE OF HIS/HER OWN OFFER POINTS				

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

## 6 MARGINS

For the purposes of the PCE, Terna defines the **step-up and step-down margins of offer points**<sup>6</sup> notifying GME of:

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

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

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

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

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

### ↑↓ MARGINS

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

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

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

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

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<sup>6</sup> Under the *PCE Rules*, the step-down margins are conventionally assumed to have a negative sign, whereas the step-up margins are assumed to have a positive sign (see also the paragraph on "Sign Conventions").

authorisations may have been granted to other Participants<sup>7</sup>. Therefore, the margin of the electricity account is equal to the summation of the margins notified by Terna, after deducting the capacity shares that have been assigned under appropriate authorisations.

In case b), the margin of the electricity account is equal to the summation (extended to all the offer points associated with the account) of the product between the margin of the point assigned by Terna and the capacity share of the same point for which an authorisation has been granted to the Participant holding the electricity account<sup>8</sup>.

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

## 7 OPERATION OF THE OTC REGISTRATION PLATFORM (PCE)

On each electricity account, Participants may register commercial transactions of forward electricity sale and purchase. The algebraic sum of the registered transactions<sup>9</sup> will determine the net position of

<sup>7</sup> Margin of the offer point defined by Terna x (1 - Σ shares α for which authorisations have been granted to other Participants).

<sup>8</sup> Margin of the offer point defined by Terna x share α for which the authorisation has been received.

<sup>9</sup> For the purposes of the PCE, sale transactions are assumed to have a negative sign and purchase transactions to have a positive sign.

the account, based on which the Participant holding the account will register injection and withdrawal schedules in respect of the offer points associated with the account.

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

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

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

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

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

Commercial transactions may be registered at any time, provided that commercial transactions reported per day G can be registered from the G-60 day until 10.00 AM on the day G-1.

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

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

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

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

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

- **Base-Load** (BSLD), consisting of all the applicable periods of all the days included in the validity period;
- **Peak-Load** (PKLD), consisting of the applicable periods from the ninth to the twentieth day of the working days included in the validity period, excluded Saturdays and Sundays;
- **Off-Peak** (OFPK), consisting of:
  - the applicable periods from the first to the eighth and the twenty-first to the twenty-four day included in the period of validity, excluded Saturdays and Sundays;
  - all the applicable periods for each Saturday and Sunday including the period of validity;

- **Week-end (WEND)**, consisting of all the applicable periods of the Saturdays and Sundays included in the validity period.

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

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

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

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

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

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

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

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

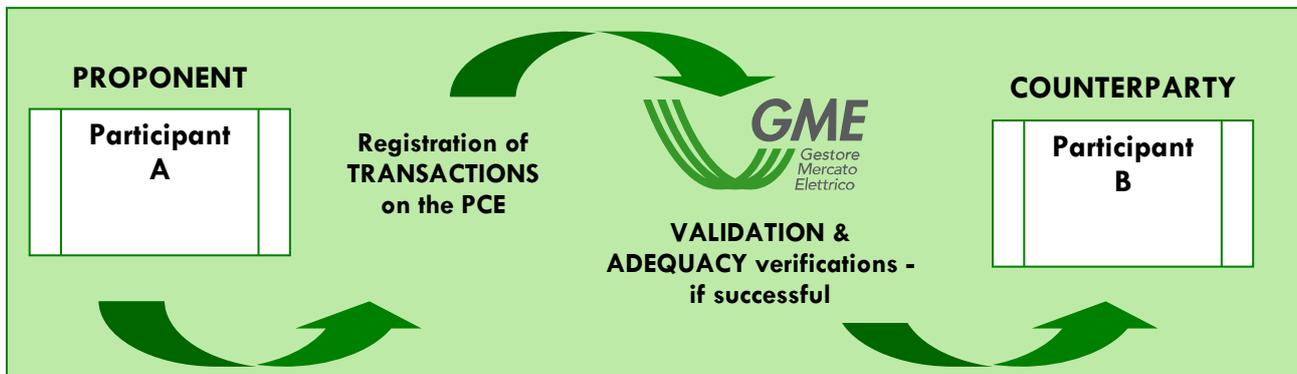
If these verifications are successful, the transaction is deemed to be registered.

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

As a result of the technical adequacy verifications with respect to the account margin (see Appendix), an electricity injection account may only have a net position corresponding to a net sale (net position

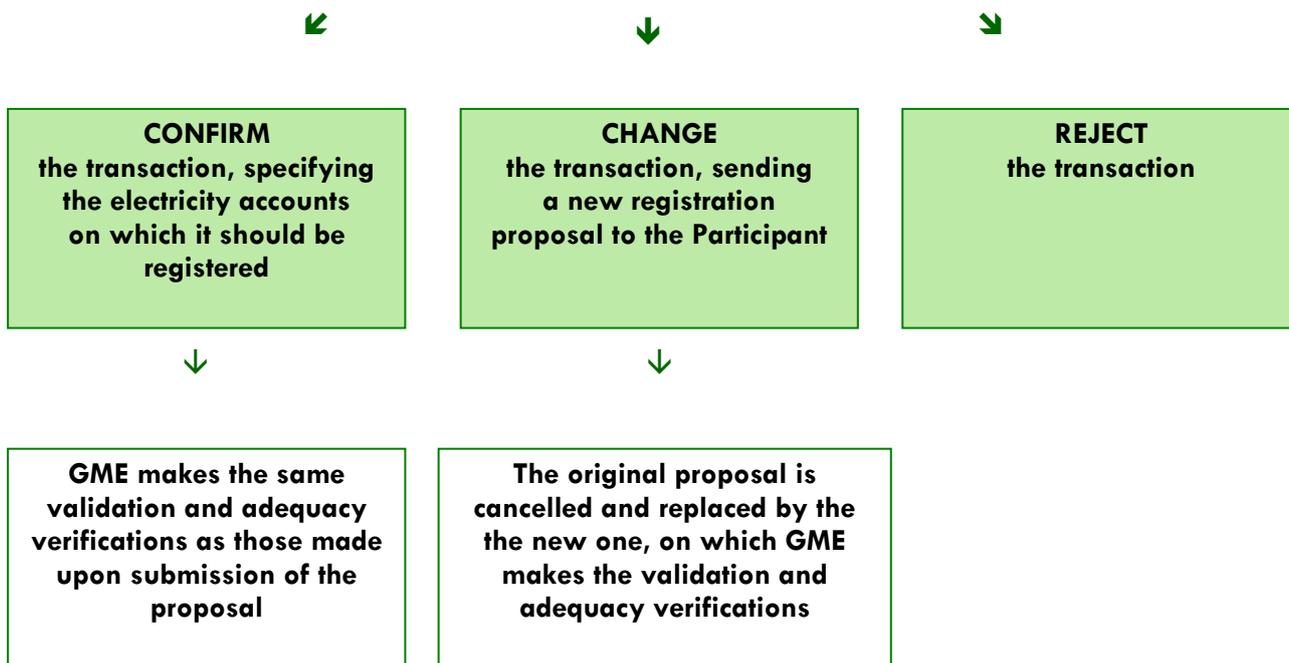
lower than zero) or to zero. Conversely, an electricity withdrawal account may only have a net position corresponding to a net purchase (net position greater than zero) or to zero.

**Registration of commercial transactions of forward energy purchase and sale .**

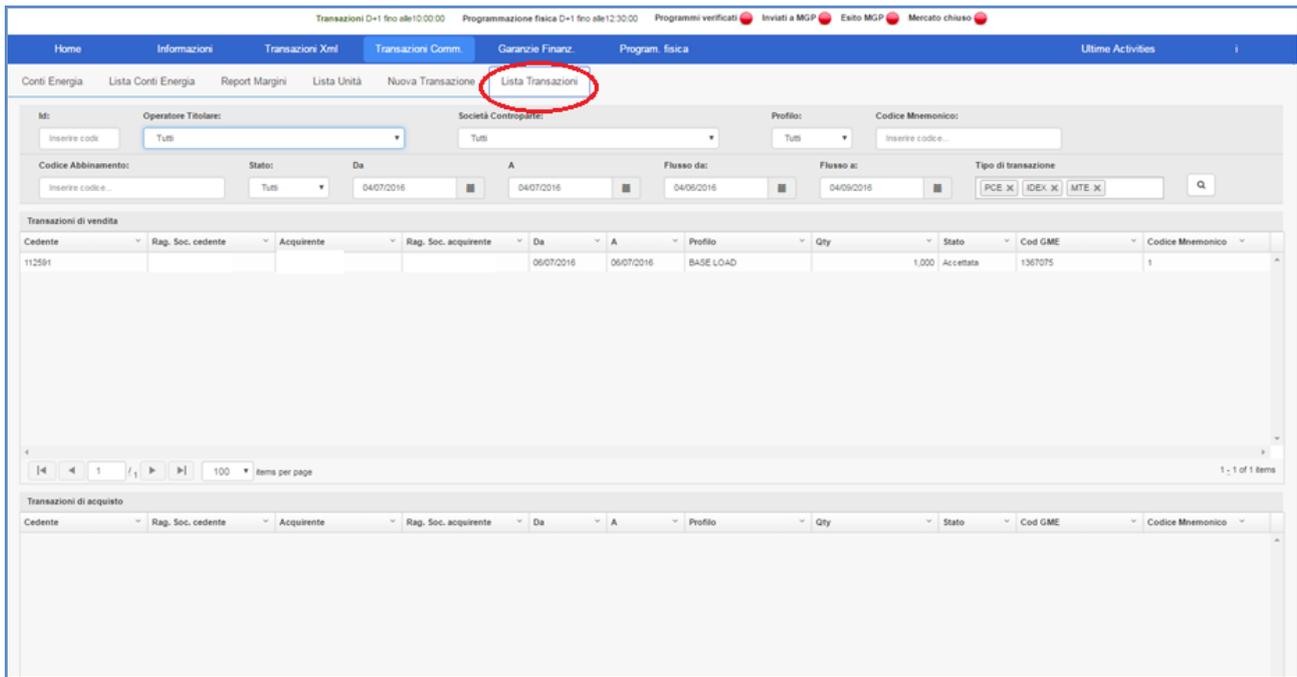


The request for registering a transaction is accepted and forwarded to the counterparty if validation and adequacy verifications are successful

The **COUNTERPARTY** Participant may



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



## FAQs

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

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

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

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

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

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

## 7.2 REGISTRATION OF SCHEDULES: GENERAL CRITERIA

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

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

The unique and single Participant holding<sup>10</sup> the account may “execute” such position by registering physical schedules of electricity injection/withdrawal in respect of the offer points that are associated with the account.

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

The request for registration of programs can be done at any time, provided that the deadline for submission of programs registration requests for the day G is scheduled at 11:30 AM of day G-1.

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

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

If the Participant holding the electricity account is also an Electricity Market Participant, the price may exclusively have values included within the technical limits of the offer.. If, on the other hand, the operator is not registered on the Electricity Market, the indicated price must be equal, respectively, to the minimum technical offer limit for programmes of injection of energy and the maximum technical offer limit for withdrawal programmes.

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

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

Upon the expiration of the time limit for sending the schedules in respect of a day of flow, all the schedules that have been validated undergo adequacy verifications. The schedules which have been deemed to be adequate are sent to the Day-Ahead Market (MGP). In this market, the schedules will be considered in the following way:

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<sup>10</sup> Physical schedules may be registered only by the Participant holding the account, as dispatching user of the points associated with such account, or by a party authorised under Art. 24.3 of the PCE Rules. No physical schedules may be registered by a party authorised under Art. 24.2 of the PCE Rules.

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

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

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

If the electricity balance is other than zero, it will represent a “deviation from schedule”. Given the sign convention adopted on the PCE<sup>11</sup>, the electricity injection account may have an electricity balance lower than zero (negative deviation from schedule), corresponding to a purchase from the MGP, or equal to zero. Conversely, the electricity withdrawal account may have an electricity balance greater than zero (positive deviation from schedule), corresponding to a sale on the MGP, or equal to zero.

Descrizione	01	02	03	04	05	06	07	08	09	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24
Posizione netta	-3,000	-3,000	-3,000	-3,000	-3,000	-3,000	-3,000	-3,000	-3,000	-3,000	-3,000	-3,000	-3,000	-3,000	-3,000	-3,000	-3,000	-3,000	-3,000	-3,000	-3,000	-3,000	-3,000	-3,000
Programmi presentati	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000
Programmi presentati senza prezzo	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000
Programmi presentati con prezzo	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000
Saldo	-3,000	-3,000	-3,000	-3,000	-3,000	-3,000	-3,000	-3,000	-3,000	-3,000	-3,000	-3,000	-3,000	-3,000	-3,000	-3,000	-3,000	-3,000	-3,000	-3,000	-3,000	-3,000	-3,000	-3,000
Inviati a MGP	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000
Inviati a MGP senza prezzo	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000
Inviati a MGP con prezzo	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000
Acquisito teorico implicito	-3,000	-3,000	-3,000	-3,000	-3,000	-3,000	-3,000	-3,000	-3,000	-3,000	-3,000	-3,000	-3,000	-3,000	-3,000	-3,000	-3,000	-3,000	-3,000	-3,000	-3,000	-3,000	-3,000	-3,000
Accettati su MGP	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000
Acquisti effettivi	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000

<sup>11</sup> For the purposes of the PCE, injection schedules are assumed to have a positive sign, while withdrawal schedules are assumed to have a negative sign.

## REGISTRATION OF INJECTION SCHEDULES ON THE ELECTRICITY INJECTION ACCOUNT

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

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

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

- price priority, starting from lower price schedules and proceeding by non-decreasing price order;
- dispatching priority, as defined in Article 30.7<sup>12</sup> of ARERA's Decision 111/06, if the price is equal;
- priority of time of submission of the request for registering the schedule, if the dispatching priority is equal.

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

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

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

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<sup>12</sup> Article 30.7 of ARERA's Decision 111/06 stipulates that:

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

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

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

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

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

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

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

*g) other supply offers".*

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

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

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

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

- price priority, starting from higher price schedules and proceeding by non-increasing price order;
- priority of time of submission of the request for registering the schedule, if the price priority is equal.

The verifications will be of two types:

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

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

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

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

The consistent verified programs are sent to the MGP, the purpose of which shall be treated as purchase offers/bids concerning the quantities and the price shown in the program. The programs are considered registered for the quantities that are detected as a result of the MGP.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

### **FAQs**

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

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

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

Injection and withdrawal schedules referring to a day of flow may be sent to the PCE at any time until 11:30 AM of the day preceding the day of flow to which the same schedules refer.

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

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

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

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

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

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

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

- the injection or withdrawal schedule (limited to UPMP and UCV);
- the difference between the price of the zone to which the offer point belongs and the National Single Price (PUN).

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

## 9 INVOICING AND SETTLEMENT

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

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

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

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

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

The *settlement* period of economic items relating to the PCE is the week (W+1) next to the week (W), ranging from Monday (T-6) to Sunday (T), in which the electricity object of recording of programs was delivered on the PCE.

For the purposes of **settlement of payments**, on the first working day of the week , GME shall determine the net position for each Participant with reference to the previous week W towards GME, offsetting the amounts including VAT, where chargeable, referring to:

- the CCT that the Participant must pay to GME;
- the CCT that GME must pay the Participant.

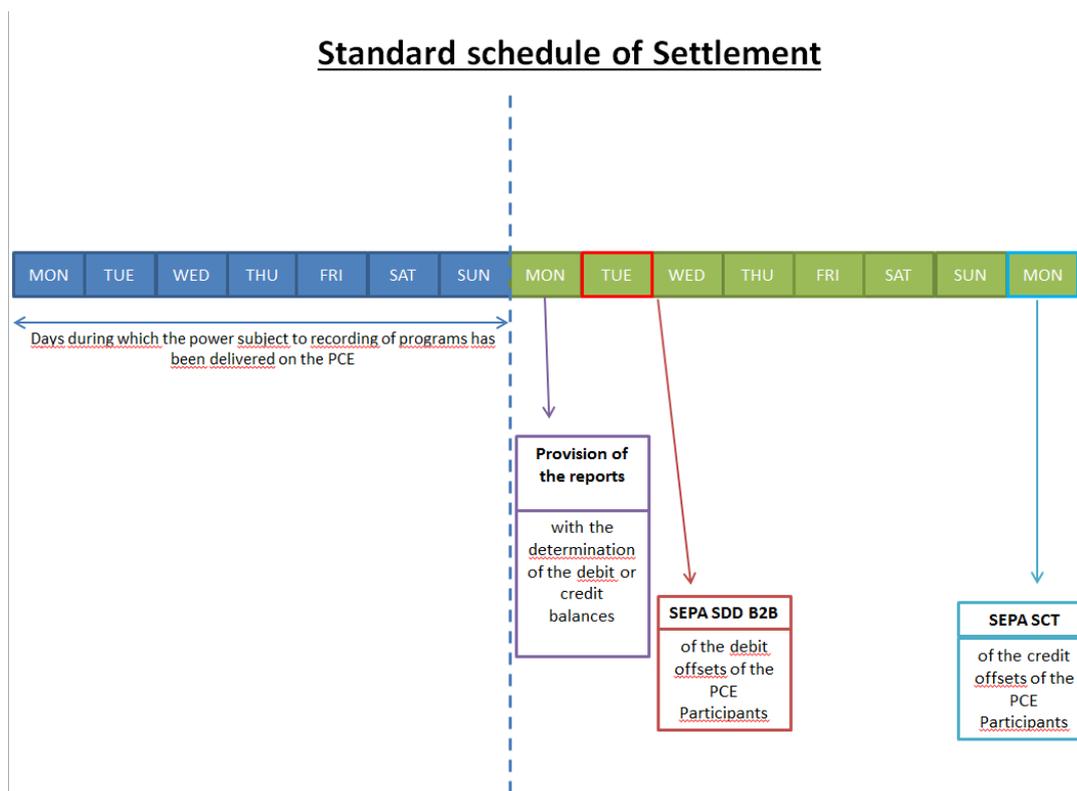
This calculation does not include the amounts of the fees for each MWh subject of the transaction recorded on the PCE as well as those related to the imbalance in the program.

For the purposes of participation in the PCE, Participants (with the exception of Administrations referred to in Article 1, paragraph 209 of Law 24 December 2007, no. 244 – PA Participants) sign and submit to GME an authorization which allows GME to directly withdraw from their current account via the SEPA Direct Debit Business to Business (SDD B2B) tool.

Exclusively for PA Participants, whether such, after the determinations above, prove to be net debtors of GME, the latter will meet their credit, after the end of the invoicing process set out in regulations on electronic invoicing in respect of the administrations above, using up its capacity the non-interest bearing cash deposit paid by the same Participants as a guarantee.

The *settlement* in W+1 is divided according to a specific timetable published on GME website and through the use of SDD B2B for the settlement by Participants of net debt items. GME shall, through SEPA Credit Transfer Urgent/Priority with value on the same date, make payments in favor of its net creditors (i.e. PA Participants and non-PA Participants).

The payment is adjusted according to the following standard timing:



These schedules can be subject to possible changes due to the presence of public holidays or other circumstances within the *settlement* week. For this reason, a special calendar of *settlement* deadlines of each month is annually published on the website of GME.

Given that W is the week in which the electricity subject of programs registration has been delivered on the PCE, the billing period of payables related to the economic items of the CCT in favor of GME (except for Participants qualified as Administration as set forth in the former Article 1, paragraph 209 of Law of 24 December 2007, no. 244 – PA Participants) and in favor of Participants, is the calendar month in which those items were settled financially.

By the last business day included in the invoicing period, GME:

- on the SetService Platform, provides all non-PA Participants one or more of pro-forma invoice communications with the sum of the CCTs that the Participant has settled financially in favor of GME during the same calendar month;
- on the SetService Platform, provides all Participants one or more of pro-forma invoice communications with the sum of the CCT that GME has settled financially in favor of the Participant during the same calendar month;
- issues to all non-PA Participants one or more invoices with the sum of deferred CCT settled financially, for each week, by the Participant in favor of GME during the same calendar month;
- receives from each creditor Participant one or more invoices with the sum of deferred CCT settled financially, for each week, by GME in favor of the Participant during the same calendar month.

The invoices issued by GME shall be available on the "SetService" Platform and transmitted to Participants, exclusively under the conditions provided for by the legislation in force from time to time concerning electronic invoicing and the related implementing provisions, through the Sistema di Interscambio (SDI).

#### **Invoicing relating to all purchase transactions recorded on PCE by PA Participants**

GME shall send each PA Participant, through the SDI, one or more invoices with the sum of the CCT to be paid to GME in relation to the electricity covered by the registration of programs delivered on the PCE in the week W; this sending will be performed the first working day of the week W+1.

If the sending of the invoice by the SDI to the PA Participant should not be successful, in accordance with the timelines identified in the Law of 24 December 2007, no. 244 and related implementation provisions on electronic invoicing, GME will forward, through channels alternative to SDI, the certificate of transfer of the invoice with the delivery inability containing the invoice.

#### **Invoicing for the variable fees**

The period of variable fees billing is the calendar month.

GME:

- By the 4<sup>th</sup> business day of the month following the last day included in the billing period, provides, on the SetService Platform, all Participants one or more notices showing the fees that the Participant must pay to GME for the MWh subject of the transactions registered on the PCE;
- By the 6<sup>th</sup> business day of the month following the last day included in the billing period, issues to each Participant
- one or more invoices for the fees that the Participant must pay to GME for the MWh covered by the transactions registered on the PCE.

The invoices issued by GME for the fees shall be available on the "SetService" Platform and transmitted to Participants, exclusively under the conditions provided for by the legislation in force from time to time concerning electronic invoicing and the related implementing provisions, through the Sistema di Interscambio (SDI).

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

- quantities (in MWh) of the registered transactions and schedules;

- price at which the quantities have been valued;
- fees for each MWh of the registered transaction;
- taxes applied;
- total amount.

## 10 GME'S GUARANTEE SYSTEM

To participate in the PCE, Participants that may acquire debit positions deriving from the CCT application are required to transfer GME adequate financial guarantees.

Therefore, the following Participants shall post guarantees:

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

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

For non-PA Participants, the guarantees required for participation in the PCE must be submitted in the form of **first-demand bank guarantees** in the format annexed to the PCE Rules. The guarantee must be issued by banks having a long-term rating not lower than BBB- on Standard & Poor's and Fitch's scale, or Baa3 on the scale of Moody's Investor Service or BBB low of DBRS's scale.

If necessary, the Participant can pay GME, as a guarantee, a non-interest bearing cash deposit.

For PA Participant s, however, the guarantees necessary for participation in the PCE must be submitted exclusively in the form of non-interest bearing cash deposit to be paid on the bank account held by GME at the institute in charge of the Electricity Market treasury services.

Moreover, to cover financial obligations arising on the PCE, **Participants that are at the same time Electricity Market Participants** may use both the first-demand bank guarantee posted in the Electricity Market in the formats annexed to the Integrated Text of the Electricity Market Rules (Annex 3 and Annex 5) as well as the amount of the non-interest bearing deposit in cash form eventually provided to the bank account held by GME with the bank in charge of GME's treasury services referred to in Article 78 of the Integrated Text of the Electricity Market Rules, .

In this case, for the Participant that decides to use guarantee instruments submitted on the electricity market both in the form of bank guarantee on first demand as in the non-interest bearing deposit in cash form, how to independently split the amount to be allocated to the coverage of items resulting from transactions carried out on the PCE are defined in the Technical Rules of the electricity market.

The amount of the guarantees must, in any case, be sufficient to cover the payment of the amounts due and not yet settled, as well as the potential future debt payables. For the manner of determining the amount guaranteed, see Appendix.

Transazioni Q-1 fino alle10:00:00 Programmazione fisica Q-1 fino alle12:30:00 Programmi verificati Inviati a MGP Esito MGP Mercato chiuso

Home Informazioni Transazioni Xml Transazioni Comm. **Garanzie Finanzi.** Program. fisica Ultime Activities

Gestione Garanzie Garanzie Parametri Garanzia Garanz. Giornaliera Export Xml

Operatore: [ ] Tipo Movimento: ALL Data Inizio: [ ] Data Fine: [ ] Tutti Q

Garanzia CCT									
Id Mov.	Tipo Movimento	Operatore	Importo	Data Inizio	Data Fine	Nota Movimento	Data	Cancelator	
236	Fidejussione		196.076,43	01/01/2000	31/12/2049	Garanzia integrata N. 40311/L, emessa per MTE.	15/03/2016		

100 Items per page 1 - 1 of 1 Items

Garanzia Tema			
Id Mov.	Importo	Operatore	Data
435	24.000.000,00		31/03/2014

## APPENDIX

### A SIGN CONVENTIONS

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

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

- Net position + schedules registered on the account = physical balance of the account  
(deviation from schedule)
- For the electricity injection account: net sale + injection schedules = physical balance  $\leq 0 \rightarrow$   
purchase from MGP
- For the electricity withdrawal account: net purchase + withdrawal schedules = physical  
balance  $\geq 0 \rightarrow$  sale to MGP

## **B ACRONYMS AND DEFINITIONS**

**ARERA:** *Authority for Electricity and Gas and the Water System*, established under the Law of 14 November 1995, no. 481

**AU:** *Acquirente Unico S.p.A.*: a company referred to in Article 4 of Legislative Decree no. 79/99.

**C.E.T.:** *Forward electricity account* (see CE).

**CCT:** *Consideration for the assignment of rights to use transport capacity* provided for in Article 43 of ARERA's Resolution 111/06.

**CDE:** Platform for physical delivery of financial contracts concluded on the IDEX. Site for registration of transactions corresponding to electricity derivative financial contracts concluded on the IDEX in whose respect the Participant is required to exercise the option of physical delivery on the ME.

**CE:** *Energy account* in the name of UdD or person delegated on the PCE.

**CE-IMM:** *Injection Energy account* which underlie all offer points for injection and mixed ones corresponding to the units of production, import and pumping of which the Participant holding the electricity account is UdD, or for which the holder of the energy account has been delegated to operate by the relevant UdD, pursuant to Article 24, paragraph 24.3 of the PCE Rules.

**CE-PRE:** *Withdrawal Energy account* which underlie all offer points for withdrawal and mixed ones corresponding to the units of production, import and pumping of which the Participant holding the electricity account is UdD, or for which the holder of the energy account has been delegated to operate by the relevant UdD, pursuant to Article 24, paragraph 24.3 of the PCE Rules.

**Grid code:** *Code of transmission, dispatching, development and security of the grid* provided by Terna pursuant to Article 1, paragraph 4, of the Decree of the President of the Council of Ministers of 11 May 2004 and entered into force on 1 November 2005.

**ARERA's Resolution 111/06:** *ARERA's Resolution no. 111/06 of 13 June 2006*, as subsequently amended and supplemented.

**ME Rules:** *Integrated Text of the Electricity Market Rules*, approved by Decree of the Ministry of Productive Activities on 19 December 2003, published in the ordinary supplement of the Official Journal no. 301 of 30 December 2003, General Series, and subsequent amendments and additions.

**Flow-date:** *Flow date.* Day when it is consumed/injected the electricity subject of purchase/sale offers/bids submitted on the IPEX and injection/withdrawal programs registered on the PCE.

**GME:** *Gestore dei Mercati Energetici S.p.A.* The company as set forth in Art. 5 of Legislative Decree no. 79/99.

**IDEX:** means the segment of the market of derivative financial instruments - IDEM, regulated and managed by Borsa Italiana S.p.A., under which electricity derivatives are traded.

**IPEX:** *Italian Power Exchange.* It's the IT platform through which purchase and sale transactions of electricity in the Italian electricity market are performed.

**MI:** *Intraday Market.* The trading venue of buy and sale offers/bids of electricity for the adjustment of injection and withdrawal plans defined on the MGP.

**Electricity market:** means the set of the MPE, MTE and CDE.

**MGP:** *Day-ahead market.* The trading venue of buy and sale offers/bids of electricity for each relevant period of the next day.

**MPE:** *Spot Electricity Market.* It means the set of the MI, MGP, MPEM and MSD.

**MPEM:** *Daily products Market.* It means the venue for the trading of purchase and sale offers/bids of daily products.

**MSD:** *Dispatching service market.* Venue for the procurement by Terna of resources for the dispatching service.

**MTE:** *Forward Electricity Market.* Venue for the trading of forward electricity contracts with delivery and collection obligation

**Non- PA Participant:** means a Participant that does not fall under the definition of PA Participant.

**PA Participant:** means the administration referred to in Article 1, paragraph 209 of Law of 24 December 2007, no. 244.

**Participant:** means the natural or legal person, including PA Participant, permitted to operate on the PCE.

**Participant Counterparty:** means a Participant referred to as the counterparty in the request for registration of a transaction submitted by a proponent Participant.

**Electricity Market Participant:** means the natural or legal person permitted to operate on the electricity market.

**Participant proposer:** means the Participant that submits a request for registration of a transaction.

**PB:** *Platform of bilaterals*, introduced as of 31 March 2004, simultaneously with the start of the electricity market, for the registration of contracts concluded outside the bidding system (bilateral agreements). The PB has been replaced by the PCE as from 1 May 2007.

**PCE:** *Platform of forward electricity accounts* completed under ARERA's Resolution 111/06, through which Participants record business transactions of purchase and sale of electricity corresponding to the contracts concluded outside the bidding system (bilateral agreements), as well as they record the injection and withdrawal programs running in the specified trading position by the registration of such transactions.

**PUN:** *Hourly National Single Price*. Average zonal price of the MGP weighted with total purchases, net of purchases of pumping and foreign areas. referred to in Article 42, paragraph 42.2 c) of the Rules.

**Offer point:** means the dispatching point as defined by the Dispatching Rules, in respect of which UdD are communicated the up and down margins to which they refer the quantities specified in purchase and sale offers/bids for the market purposes and quantities object of injection and withdrawal

programs for execution of purchase and sale contracts concluded outside the bidding/offering system, and in relation to which they are defined cumulative injection and withdrawal programs.

**PCE Rules:** *Rules of the forward electricity accounts platform.* Rules referred to in Article 17 of the ARERA's resolution 111/06 and subsequent amendments and additions, positively verified by the Director of the Markets of ARERA with the resolution of 7 February 2007. These rules govern the procedures for the registration of forward purchases of electricity and the corresponding injection and withdrawal programs through the PCE.

**Settlement:** means the of the payments settlement process of the PCE.

**Terna:** *Terna - Rete Elettrica Nazionale S.p.A.* A company responsible for the transmission and dispatching of electricity on the high and extra high voltage grid throughout the country.

**Holder:** Participant holding one or more electricity accounts.

**Transaction:** forward electricity trading registered on the PCE.

**Purchase Transaction:** forward purchase of electricity registered on the PCE

**Sale transaction:** forward sale of electricity registered on the PCE.

**UC:** *Consumer Unit:* A set of electrical installations for the consumption of electricity connected to grids with obligation to connect third parties also by means of direct lines or internal user networks, such that the withdrawal of electricity related to this set can be measured independently.

**UCV:** *virtual consumer units.* Offer points for withdrawal belonging to neighboring virtual zones corresponding to the export units.

**UdD:** *Dispatching users.* Subjects who have entered into a contract with Terna for dispatching services.

**UP:** *Production unit.* The set of one or more of generation groups available to an UdD, grouped in accordance with the rules defined in the grid code, such that the injection or the withdrawal of electricity related to such are measurable individually.

**UPMP:** *Mixed pumping production units.* Mixed offer points, corresponding to hydroelectric production and pumping units.

**UPV:** *Virtual production units.* Offer points for injection belonging to neighboring virtual zones corresponding to the import units.

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

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

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

- (in the case of a transaction pertaining to an electricity withdrawal account) the algebraic sum of the net position of the account, of the purchase transactions already deemed to be adequate but not yet confirmed and of the purchase transaction to be registered is lower than or equal to the absolute value of the step-down margin of the account<sup>13</sup>;
- (in the case of a transaction pertaining to an electricity injection account) the algebraic sum of the net position of the account, of the purchase transactions already deemed to be adequate but not confirmed and of the purchase transaction to be registered is lower than or equal to zero.

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

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

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

### ***D Adequacy of financial guarantees towards GME***

If a Participant wishes to request or confirm a sale transaction in respect of an electricity injection account, GME will carry out adequacy verifications in order to check whether the Participant has

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<sup>13</sup> For electricity withdrawal accounts that are associated with at least one withdrawal point belonging to a geographical zone (having an unlimited step-down margin) and for the electricity withdrawal accounts referred to in Article 28bis of the PCE Rules, this verification is always successful.

sufficient financial guarantees to cover his/her potential debit exposure towards GME arising from such transaction.

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

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

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

The estimated CCT is determined according to an internal quantitative model based on the analysis of historical data as well as the consistency over the recent scenario represented by the monetary CCT materialized the last rolling month. It is made available to Participants on the PCE platform. Downstream of the determination of the outcomes of the market, then when PUN is just known, GME updates the exposure based on the actual value of the CCT and, if due as a debt for the Participants, tests whether the account holder owns adequate financial guarantees.

In order to undertake verification of the consistency of the guarantee paid with respect to the exposure held, for each Participant, it is defined the capacity of the financial guarantee obtained as the sum of:

- The sum of guarantees (bank guarantees and/or deposits) paid by the Participant for the transactions on the PCE, cut by maintenance margin<sup>14</sup>;
- The exposure on the PCE, as the sum of loans outstanding resulting for every date of settlement, each resulting from the sum of the positions related to trading on the PCE referred to the flow days included in the settlement period.
- In detail, please note that at the proposal stage, the exposure for the g flow day is equal to the product of the estimated CCT and the module of the volumes expressed in MWh subject of the proposal for which it is potentially due the CCT<sup>15</sup>. After the determination of the results, the exposure for the g flow day is equal to the product of the actual CCT, determined as the difference between the zonal price and the PUN if negative, and the volumes accepted on the MGP for the specific area expressed in MWh.

If the capacity of the financial guarantee is greater than or equal to zero, the registration request is technically adequate and therefore made, otherwise, it is rejected.

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<sup>14</sup> For the bank guarantees, it is considered their validity within the settlement dates coverage limits on which the Participant is exposed than the expiry date of the same.

<sup>15</sup> Having exposure negative sign, the result is changed in sign.

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

Nevertheless, if a Participant requests the registration of a withdrawal schedule in respect of a mixed point (pumping unit) and/or a consuming point belonging to a neighbouring country's virtual zone (exporting unit), the adequacy verification will be similar to the one made for sale transactions in respect of injection accounts.

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### Checks of the technical/financial adequacy

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

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

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

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

*"Operation of the Forward Electricity Account Trading Platform (PCE)"*  
Presentation of 26 July 2006 by GME's Markets

*"Forward Electricity Account Trading Platform: Guarantee and Settlement-of-Payment System"*  
Presentation of 26 July 2006 by GME's Markets

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

*(PCE Rules issued after consultation with operators and AEEG's Decisions 111/06 and 253/06 – available in Italian only)*  
Presentation of 10 and 11 January 2007 by GME's Markets

***"Dalla Piattaforma dei Bilaterali alla Piattaforma dei Conti Energia: cosa cambia per gli operatori?"***  
***(From the Bilaterals Platform to the Forward Electricity Account Trading Platform: What Changes for Operators***  
***– available in Italian only)***

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