

OPERATION GUIDELINES

New integrated guarantees management system for on the spot electricity markets, MGP and MI, and natural-gas markets

This Operation Guideline illustrates, with respect to the main market participation activities, the modalities for conforming the guarantees to the netting mechanism, with a view to supporting market participants during the transition to the new guarantee system on the spot electricity markets, MGP and MI, and gas markets (**netting**),

The procedures for conforming the guarantees to the netting mechanism are described in the transitional provisions set forth in the Integrated Text of the Electricity Market Rules (hereinafter referred to as ME Rules) and in the Natural Gas Market Rules (hereafter referred to as MGAS Rules), as well as in the provisions referred to in the corresponding Technical Rules (DTF).

For more details, please refer to the version of regulatory documents governing the "netting" mechanism in the electricity and natural gas markets:

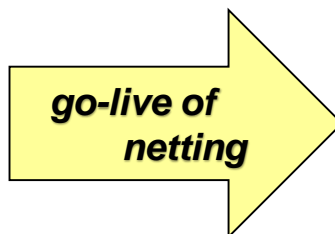
- **Integrated Text of the Electricity Market Rules**
- **Natural-gas Market Rules**
- **ME Technical Rules**
- **MGAS Technical Rules**

➤ **Modalities for conforming the guarantees for ME, MGAS, ME and MGAS Participants that, following the go-live of netting, DO NOT SUBMIT a participation application to other markets:**

- ✓ Modalities for conforming the guarantees for ME and/or MGAS Participant
- ✓ Allocation of guarantees on ME (PCE) and MGAS

➤ **Modalities for conforming the guarantees for ME, MGAS, ME and MGAS Participants that, following the go-live of netting, SUBMIT a participation application to other markets:**

- | | | |
|---|------------------------|------------------------------------|
| ➤ | i. ME Participant | ME + MGAS Participant |
| | ii. ME+PCE Participant | (ME+PCE) + MGAS Participant |
| | iii. MGAS Participant | MGAS + ME(PCE) Participant |



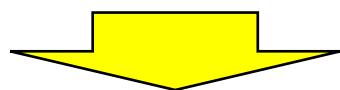
Modalities for conforming the guarantees for ME, MGAS, ME and MGAS Participants that, following the go-live of netting, DO NOT SUBMIT a participation application to other markets:
(1/2)

The Participant admitted only to ME

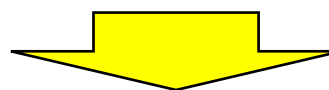
or

The Participant admitted only to MGAS

Following the go-live of the netting, it will NOT have to conform the existing guarantees, unless:



it wishes to change the amount of the bank guarantees with and without expiration



it wishes to change the term of validity and effectiveness of the bank guarantees with expiration

Participants that, following the go-live of netting, DO NOT SUBMIT a participation application to other markets:

(2/2)

The participant, that is already a ME and MGAS Participant, in order to operate on the netting markets and to ensure full operation on both markets, MUST conform the guarantees by submitting the new guarantees (and withdrawing those already provided) or by conforming the existing ones to the new forms

The ME and MGAS Participant that DOES NOT conform the guarantees MAY NOT be entitled to operate in the netting markets, while may continue to operate according to the type of guarantee provided, as follows:

ME: Ann. 3 or non interest-bearing cash deposit

- used in MTE, MPEG and PCE

ME: Ann. 5

- used only in MPEG

ME: Ann. 7

- used in MPEG and PCE

MGAS: Ann. C or non interest-bearing cash deposit

- used only in MT-GAS

Allocation of the guarantees: final set-up

The ME and MGAS Participant who has provided guarantees must allocate the amounts among the various markets/platforms

Depending on the guarantee provided, as well as on the form of bank guarantee provided, the Participant must indicate the amount to be allocated in the markets/platforms in which it operates

In the event the Participant do not allocate the guarantees, GME will allocate the amount of the guarantees according to criteria defined in the Technical Rules

Allocation of guarantees: transitional set-up

Following the go-live of the netting markets, in the event Participant do not submit a new declaration for the allocation of the amount of the guarantee provided:



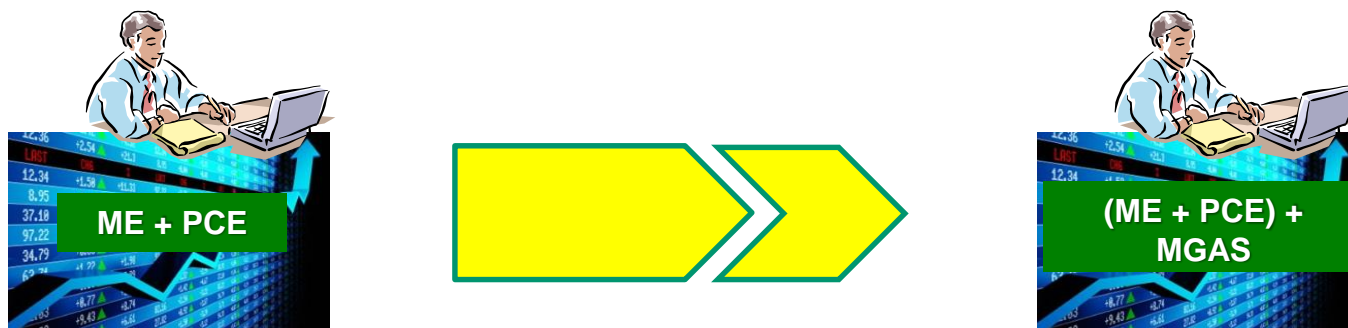
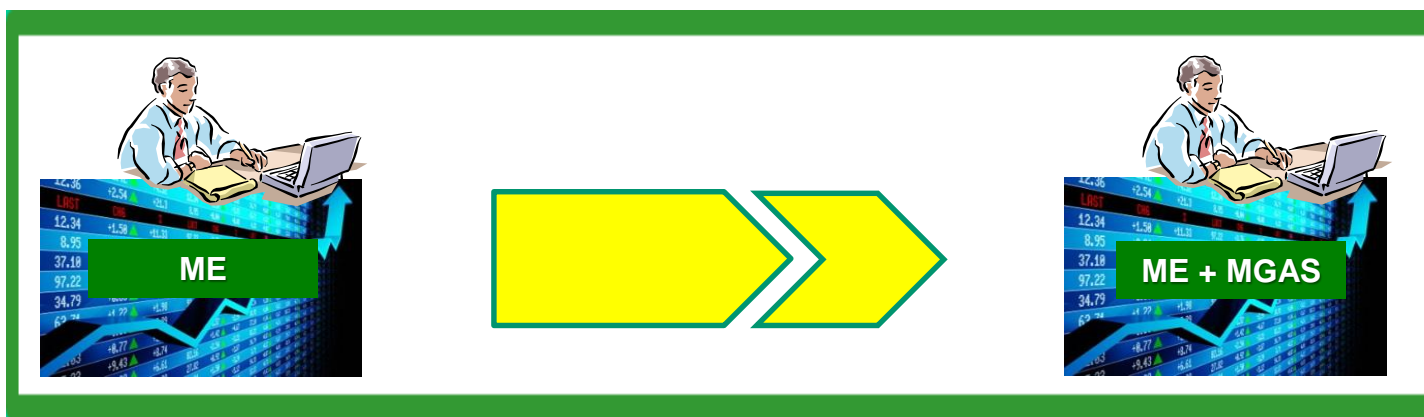
- ❖ With respect to ME Participant: the amount of the guarantee available will be allocated in compliance with the last allocations communicated to GME or, lacking any declaration of allocation, the amount of the available guarantee will be allocated to cover the payables arising from the MGP and MI
- ❖ With respect to MGAS Participant: the amount of the available guarantee will be used to cover the payables arising from the MPGAS following the new configuration of the MGAS *

* This new configuration shall be effective upon the inclusion of the MPGAS among the netting markets

Modalities for conforming to the guarantees for the Participant that, following the go-live of netting, SUBMITS a participation application to other markets:

(1/3)


Integrated Text of the Electricity Market Rules



ME Participant – conforming the guarantees provided in the form of cash deposits (ref. Art. 135, paragraph 135.8, of the ME Rules and par. 5.2 of the Technical Rules no. 4 ME)

go-live of netting




Pre netting scenario



ME

CASH DEPOSIT
pursuant to the Pre-netting ME Rules



Post netting scenario	Need to conform to netting	Guarantee conformed	Modalities of conforming	Participation in the market allowed
ME Participant participating to the MGAS  <p>ME + MGAS</p> 	 YES	NO (*)	-	<u>Only ME</u> (if the Participant provides a new guarantee deposit, the amount of the original deposit and the amount of the new deposit shall be cumulative) (**)
		YES	Letter of amendment changing the original deposit using the form published on GME's website	Netting markets, MPEG, MTE and MTGAS (**)

(*) Participant does not conform or does not request/obtain the return of the guarantee deposit

(**) For more information on the modalities to allocate guarantees, please refer to Technical Rules no. 04 ME

ME Participant – conforming to the modalities provided pursuant to the original Annex 3 of ME Rules (ref. Art. 135, paragraph 135.4, subpara. a), of ME Rules and par. 5.2 of the Technical Rules no. 04 ME)

go-live of netting

Pre netting scenario

ME

ANNEX 3 of the pre netting ME Rules

Post netting scenario	Need to conform to netting	Guarantee conformed	Modalities of conforming	Request for return of the original guarantee	Participation in the market allowed
<p>ME Participant participating to the MGAS</p> <p>ME +MGAS</p>	 <p>YES</p>	NO	-	-	Only ME
		YES	-	Yes	Netting markets, MPEG, MTE and MTGAS (*)
			-	No (or the request for return is not successful)	Only ME (the amount of the original guarantee and the amount of the new guarantee shall be cumulative) (*)
			-	-	Netting markets, MPEG, MTE and MTGAS (*)
			-	Yes	Netting markets and MPEG (*)
YES	-	No (or the request for return is not successful)	<p>Only ME (*)</p> <ul style="list-style-type: none"> With reference to MPE, the amount of the original guarantee and the amount of the new guarantee shall be cumulative; With reference to MTE, only the amount referred to in the original Annex 3 may be used 		

(*) For more information on the modalities to allocate guarantees, please refer to Technical Rules no. 04 ME

ME Participant conforming the guarantee provided pursuant to the Original Annex 5 of ME Rules (ref. Art. 135, paragraph 135.4, subpara. b), of ME Rules and par. 5.3 of Technical Rules no. 04 ME)

go-live of netting

Pre netting scenario



ANNEX 5 of the pre NETTING ME Rules

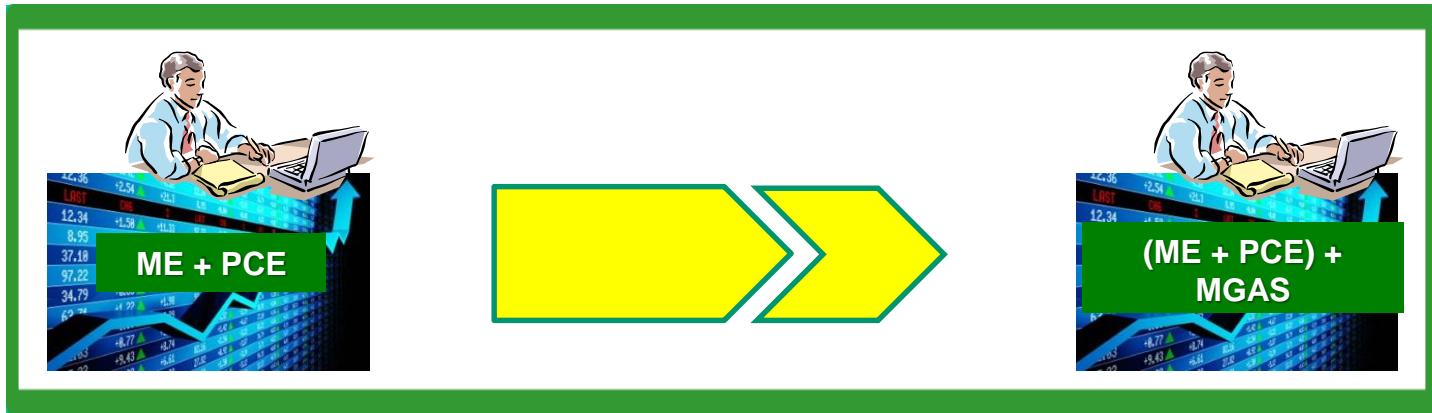
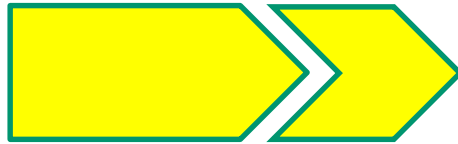
Post netting scenario	Need to conform to netting	Guarantee conformed	Method/Modalities of adjustment/compliance conforming	Request for return of the original guarantee	Participation in the market allowed
ME Participant participating to the MGAS ME + MGAS	 YES	NO	-	-	Only MPE (*)
		YES	Submission of new Annex 3/new Annex C of the MGAS Rules (without expiration)	Yes	Netting markets, MPEG, MTE and MTGAS (*)
			Conform the original Annex 5 to the new Annex 5 of ME Rules (with expiration)	-	Netting markets and MPEG (*)
			Submission of the new Annex 5 of ME Rules/new Annex E of the MGAS Rules (with expiration)	Yes	Netting markets and MPEG (*)
				No (or the request for return is not successful)	Only MPE (the amount of the original guarantee and the amount of the new guarantee shall be cumulative) (*)
				No (or the request for return is not successful)	Only MPE (the amount of the original guarantee and the amount of the new guarantee shall be cumulative) (*)

(*) For more information on the modalities to allocate guarantee, please refer to Technical Rules no. 04 ME



Modalities for the guarantees for the Participant who, following the go-live of netting, SUBMITS a participation application to other markets (2/3):

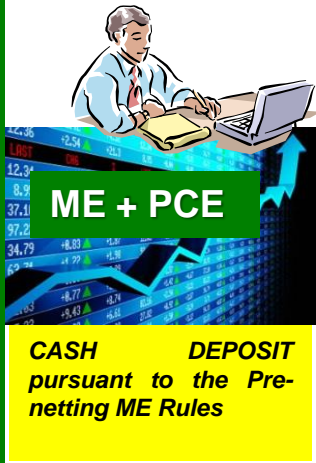
Integrated text of Electricity Market Rules



ME and PCE Participant - in the form of cash deposits (ref. Art. 135, paragraph 135.8, of ME Rules and par. 5.2 of the Technical Rules no. 4 ME)

go-live of netting

Pre netting scenario



Post netting scenario	Need to conform to netting	Guarantee conformed	Modalities of conforming	Participation in the market allowed
<p>ME + PCE Participant participating to MGAS</p>	<p>☑ YES</p>	NO (*)	-	<p>Only ME/PCE</p> <p>(if the Participant provides a new guarantee deposit, the amount of the original deposit and the amount of the new deposit shall be cumulative) (**)</p>
<p>(ME + PCE) + MGAS</p>		YES	Letter of amendment changing the original deposit using the form published on GME's website	<p>Netting markets, MPEG, MTE and MTGAS and PCE (**)</p>





(*) The Participant does not conform or does not request/obtain the return of the guarantee deposit

(**) For more information on the modalities to allocate guarantees, please refer to Technical Rules no. 04 ME



ME and PCE Participant – conforming to the original Annex 3 of ME Rules (ref. Art. 135, paragraph 135.4, subpara. a), of ME Rules and par. 5.2 of the Technical Rules no. 04 ME)

go-live of netting

Scenario post netting	Need to conform netting	Guarantee conformed	Modalities of conforming	Request for return of the original guarantee	Participation in the market allowed
ME and PCE Participant participating to the MGAS  ME + PCE + MGAS   ANNEX 3 of pre netting ME Rules	 YES	NO	-	-	<u>Only</u> ME and PCE (*)
		Submission of new Annex 3 of ME Rules/ new Annex C of the MGAS Rules (without expiration)	YES	Netting markets, MPEG, MTE, MTGAS and PCE (*)	
			No (or the request for return is not successful)	Only ME and PCE (the amount of the original guarantee and the amount of the new guarantee shall be cumulative) (*)	
		Conform the original Annex 3 to the new Annex 3 of ME Rules (without expiration)	-	Netting markets, MPEG, MTE, MTGAS and PCE (*)	
		Submission of the new Annex 5 of ME Rules/ new Annex E of the MGAS Rules (with expiration)	YES	Netting markets, MPEG and PCE (*)	
			No (or the request for return is not successful)	Only ME and PCE (*) <ul style="list-style-type: none"> • With reference to MPE, the amount of the original guarantee and the amount of the new guarantee shall be cumulative; • With reference to MTE, only the amount referred to in the original Annex 3 may be used 	

Pre netting scenario

ME and PCE

ANNEX 3 of pre netting ME Rules






(*) For more information on the modalities of to allocate guarantees, please refer to Technical Rules no. 04 ME

ME and PCE and Participation in the market allowed


7 of ME Rules (ref. Art. 135, paragraph 135.4, subpara. b), of ME Rules and par. 5.4 of Technical Rules ME

go-live of netting

Post netting scenario	Need to conform to netting	Guarantee conformed	Modalities of conforming	Request for return of the original guarantee	Participation in the market allowed
ME and PCE Participant participating to MGAS  ME + PCE + MGAS 	 YES	NO	-	-	Only MPE and PCE (*)
		YES	Submission of new Annex 3 to ME Rules/new Annex C of the MGAS Rules (without expiration)	Yes	Netting markets, MPEG, MTE, MTGAS and PCE (*)
				No (or the request for return is not successful)	Only MPE and PCE (the amount of the original guarantee and the amount of the new guarantee shall be cumulative) (*)
			Conform the original Annex 7 to the new Annex 5 of ME Rules (with expiration)	-	Netting markets, MPEG and PCE (*)
			Submission of the new Annex 5 of ME Rules./ new Annex E of the MGAS Rules (with expiration)	Yes	Netting markets, MPEG and PCE (*)
No (or the request for return is not successful)	Only MPE and PCE (the amount of the original guarantee and the amount of the new guarantee shall be cumulative) (*)				

Pre netting scenario

ME and PCE



ANNEX 7 of the pre NETTING ME Rules

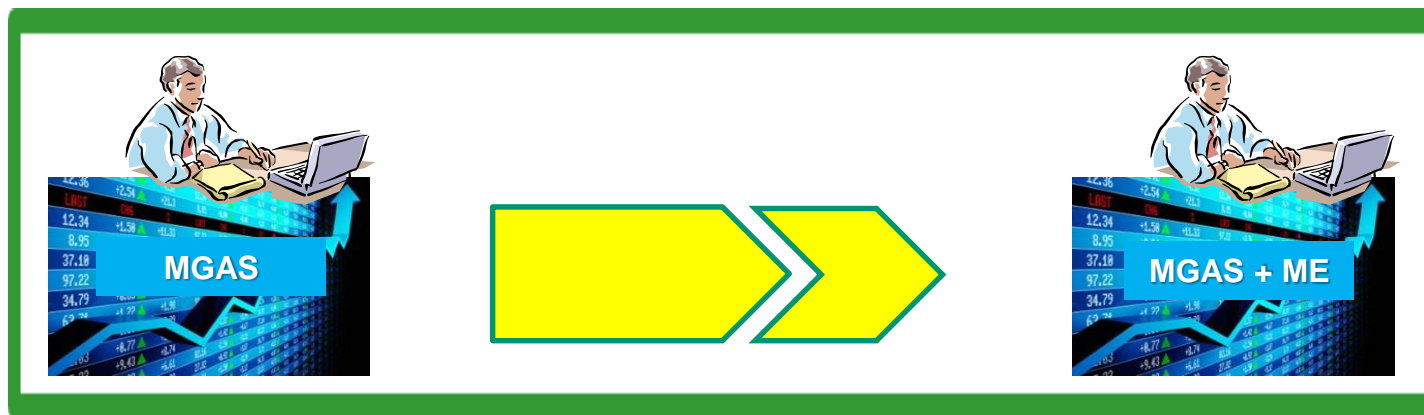
(*) For more information on the modalities of guarantee allocation, please refer to Technical Rules no. 04 ME



Modalities for conforming the guarantees for the Participant that, following the go-live of netting, SUBMITS a participation application to other markets:

(3/3)

Natural-gas Market Rules



go-live of netting

Pre netting scenario



CASH DEPOSIT
pursuant to the pre netting MGAS Rules



Post netting scenario (***)	Need to conform to netting	Guarantee conformed	Modalities of aconforming	Participation in the market allowed
<p>MGAS Participant participating to the ME</p>	<p>☑ YES</p>	<p>NO (*)</p>	-	<p>Only MGAS (if the Participant provides a new guarantee deposit, the amount of the original deposit and the amount of the new deposit shall be cumulative) (**)</p>
		<p>YES</p>	<p>Letter of amendment changing the original deposit using the form published on GME's website</p>	<p>Netting markets, MPEG, MTE, MTGAS and/or PCE (**)</p>





(*) The Participant does not conform or does not request/obtain the return of the guarantee deposit

(**) For more information on the modalities to allocate guarantee, please refer to Technical Rules no. 19 MGAS

(***) The reference to the use of the guarantees for the PCE is to be considered only when the Participant is admitted to the PCE

MGAS Participant – conforming to the original Annex C of the MGAS Rules (ref. Art. 97, paragraph 97.1 of the MGAS Rules and par. 5.2 of the Technical Rule no. 19 MGAS)

go-live of netting

Post netting scenario (**)	Need to conform to netting	Guarantee conformed	Modalities of conforming	Request for return of original guarantee	Participation in the market allowed
<p>MGAS Participant participating to the ME</p>  <p>MGAS</p> <p>ANNEX C of the pre NETTING MGAS Rules</p>  <p>MGAS + ME</p> 	 YES	NO	-	-	Only MGAS (*)
		YES	Submission of new Annex C of the MGAS Rules./ new Annex 3 to ME Rules (without expiration)	YES	Netting markets, MPEG, MTE and MTGAS and/or PCE (*)
			Conform the original Annex C to the new Annex C of the MGAS Rules (without expiration)	No (or the request for return is not successful)	Only MGAS (the amount of the original guarantee and the amount of the new guarantee shall be cumulative) (*)
		Submission of the new Annex E of the MGAS Rules/ new Annex to ME Rules (with expiration)	-	Netting markets, MPEG, MTE and MTGAS and/or PCE (*)	
		YES	YES	Netting markets and MPEG and/or PCE (*)	
			No (or the request for return is not successful)	Only MGAS (*)	<ul style="list-style-type: none"> • With reference to MPGAS, the amount of the original guarantee and the amount of the new guarantee shall be cumulative; • With reference to MTGAS, only the amount referred to in the original Annex C may be used

Pre netting scenario

ANNEX C of the pre NETTING MGAS Rules



(*) For more information on the modalities to allocate guarantee, please refer to Technical Rules no. 19 MGAS

(**) The reference to the use of the guarantees for the PCE is to be considered only when the Participant is admitted to the PCE