



Consultation Paper n. 02/2017

**Proposal to modify the expression of the minimum
gas volume under the contracts traded on the
Natural-Gas Market**

1. Overview

By decree of 13 March 2017, the Minister of Economic Development approved amendments to the "Natural-Gas Market Rules", which included, inter alia, regulatory provisions for the implementation of measures aimed at improving the liquidity of natural-gas markets, as previously described by GME in the Consultation Paper n. 06/2016.

In implementing these regulatory measures, GME has published a subsequent Consultation Paper n. 01/2017 detailing the terms and conditions for carrying out the *market making* activity.

In order to make market-making activity effective in promoting market liquidity, with the activation of the *market making* service, and also to facilitate the comparability of the prices by market participants, it is necessary to standardize the contract size of the market products currently traded on MGAS with the one adopted in the major European markets. This alignment plays a crucial role in the bidding strategies of market participants, and in particular, of those who will be available to carry out the *market making* activity, with the possibility of a faster and easier comparison of bids/offers for the products traded on different markets.

In order to illustrate the implications connected to the proposal for amendments to the *contract size*, GME defines in this Consultation Paper the details of the amendment itself, with a prompt indication of the products traded on the MGAS that would be involved in the said amendment.

All interested parties may provide their comments about the content of this document.

Such comments shall be provided, in writing, to GME - **Governance**, by and no later than 21st November 2017, time limit of this consultation, by one of the following methods:

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

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

2. Minimum gas volume under the contracts traded on the MGAS (“contract size”)

The current configuration of the products traded on the MGAS provides that:

- 1 contract is equal to 1 MWh/gas day;
- the gas volume under each contract (*contract size*) is obtained as a product between 1 MWh and the number of days covered by the contract;
- the unit of measurement to be used for the contracts is the MWh with the specification of 3 decimal places;
- order books are organized by providing for the prices (€/MWh) and amounts (MWh/day) of each bid/offer.

In order to make products traded by GME on MGAS comparable to contracts traded on other markets, it is necessary to modify the contract size of MGAS products, making it uniform to the one used in other markets.

In particular, the new configuration provides that:

- 1 contract is equal to 1 MW;
- the gas volume under each contract (contract size) is obtained as a product between 1 MW, 24 (number of hours per day¹) and the number of days covered by the contract;
- unit measurement to be adopted for contracts is MW specified with 3 decimals;
- order books will be organized specifying for each bid/offer its price (€/MWh) and amount expressed as number of contracts (=MW);

3. MGAS market using the new “contract size”

MGAS markets for which the new proposed configuration is envisaged are all those markets where products traded are registered by GME at PSV or MGP-GAS, MI-GAS, MPL and MT-GAS following the *cascading*. MGS market is therefore excluded from the new configuration, for which the current configuration will continue to be applied in terms of traded products and relative units of measurement.

After the introduction of the new contract size:

- for bids/offers submitted directly on the MGAS market platform (MGP-GAS, MI-GAS, MPL and MT-GAS):

¹ In line with other products traded by other exchanges at PSV, this convention will be used throughout the year, including days that correspond to changes from standard to daylight saving time.

- by using the web-form, the market participant should indicate the number of contracts (in MW) that he/she/it intends to trade. The form will automatically convert the data entered into the corresponding MWh/day (obtained as a product between MW and 24);
 - by uploading the xml file, the market participant should indicate in the file the number of contracts he/she/it intends to trade in MW and no more in MWh/day;
- for bids/offers submitted on MGAS (MGP-GAS, MI-GAS and MT-GAS), using the specific portals for trading commodities integrated with MGAS:
 - the market participant should indicate the number of contracts (in MW) that he/she/it intends to traded;
 - in the order books, the amounts for each bid/offer would be indicated as number of contracts (in MW), thus allowing comparison of MGAS bids/offers with other bids/offers submitted on similar products referring to the PSV traded in other *exchanges/brokers*.
- PSV registrations would not be subject to variations and would continue to be carried out by recording quantities related to MWh/day.