

Presentation of Proposed Amendments to the Integrated Text of the Electricity Market Rules

(as per Article 3, para. 3.4, Integrated Text of the Electricity Market Rules)

With a decree of 19 December 2003 (published in the “Supplemento ordinario - Serie generale - Gazzetta Ufficiale” no. 301 of 30 December 2003), the Minister of Productive Activities approved the Integrated Text of the Electricity Market Rules (hereinafter referred to as “the Electricity Market Rules”), as subsequently amended and supplemented with a Ministerial Decree of 15 June 2007 (published in the “Supplemento ordinario” no. 148 - “Gazzetta Ufficiale” no. 150 of 30 June 2007) and with the urgent amendments adopted on 4 May 2007 by Gestore del Mercato Elettrico S.p.A. (hereinafter referred to as “GME”) as per article 3, para. 3.5 of the Electricity Market Rules, and finally approved with a Ministerial Decree of 8 January 2008 (published in the “Gazzetta Ufficiale” no. 29 of 4 February 2008).

With regard to the current guarantee system for participating in the Electricity Market, article 70, para. 70.1 and article 117, para. 117.4bis of the Electricity Market Rules provide that *for the purposes of submitting technically adequate bids/offers into the energy markets, Market Participants shall post financial guarantees (first demand guarantees) issued by banks which are members of the professional association referred to in Article 13 of Legislative Decree no. 385 of 1 September 1993 and which have a long-term rating attributed by at least one of the following companies: Standard & Poor's Rating Services, Moody's Investor Service and Fitch. The rating shall not be lower than A- on Standard & Poor's or Fitch's scale or A3 on the scale of Moody's Investor Service.* In particular, for the purposes of verifying the technical adequacy of demand bids, the value of transactions must be entirely covered by the amount of the bank guarantee.

In order to make the procedures for posting bank guarantees by Market Participants more flexible, GME explored the possibility of amending the current Electricity Market Rules in accordance with article 3, para. 3.4, by adding a “sub-declaration” to the declaration currently referred to in article 17, para. 17.3.

This amendment enables the beneficiary of the declaration specified in article 17, para. 17.3, i.e. the “authorised party”, to issue a further declaration in favour of a third company.

In particular, the dispatching user of the offer points may authorise a company to operate on such points (as per article 17, para. 17.3, Electricity Market Rules) and, at the

same time and where he/she deems it necessary, he/she may allow the company so “authorised” to authorise, in turn, a third company to operate on IPEX in respect of given offer points.

This procedural solution does not involve operational risks which may compromise the proper operation of the market.

No problems would arise in terms of counterparty risk, in that also the last authorised Market Participant would be required to post the guarantees specified in the Electricity Market Rules, regardless of the units on which such Market Participant is directly or indirectly authorised to operate.

In view of the above, the following amendments to the Electricity Market Rules are proposed.

For reading convenience, the strike-through text indicates the deleted provisions and the bold-italics text indicates the new proposed text.

Interested parties are invited to send their comments, if any, within **28 May 2008** at the latest

- by e-mail to info@mercatoelettrico.org;
- by fax to +39-06 80124524

For additional information and clarifications, contact:

+39-06 80124067 (Secretariat, “Direzione Mercati” - Markets);

+39-06 80124529 (Secretariat, “Unità Legale e Regolazione” - Legal & Regulatory Office).

(Omissis)

...

Article 17

***Requests for Insertion of Data and Information
into the Register of Market Participants***

- 17.1 For the purposes of submitting bids/offers into the Electricity Market, each Market Participant shall request GME to enter the data and information referred to in Article 16, para. 16.2 h), j) and k) above into the Register of Market Participants.
- 17.2 The insertion of the data and information referred to in Article 16, para. 16.2 i) above shall follow the notifications referred to in Article 70, para. 70.6, and Article 71, paras. 71.6 and 71.9 below.
- 17.3 For the purposes of submitting bids/offers into the Electricity Market, each Market Participant may request the insertion of the data and information referred to in Article 16, para. 16.2 e) above by enclosing a declaration issued by the Dispatching User of the offer point and certifying that the requesting Market Participant is entitled to:
- a)** submit bids/offers for such offer point;
 - b) (where applicable) issue a declaration as provided for in para. 17.3 bis below.**

~~The declaration shall include at least the following data:~~

- ~~a) identification code of the offer point for which the request for insertion is being made;~~
- ~~b) date from which the requesting Market Participant is entitled to submit bids/offers for that specific offer point;~~
- ~~c) date until which the requesting Market Participant is entitled to submit bids/offers for that specific offer point.~~

- 17.3bis** ***For the purposes of submitting bids/offers into the Electricity Market, each Market Participant may request the insertion of the data and information referred to in Article 16, para. 16.2 e) above by enclosing a***

declaration issued by the Market Participant entitled to submit bids/offers as per para. 17.3 a) and b) above and certifying that the requesting Market Participant is entitled to submit bids/offers for a given offer point.

17.3ter The declarations referred to in paras. 17.3 and 17.3bis above shall indicate at least the following data:

- a) identification code of the offer point for which the request for insertion of the data is being made;***
- b) date from which the requesting Market Participant is entitled to submit bids/offers for that specific offer point;***
- c) date until which the requesting Market Participant is entitled to submit bids/offers for that specific offer point.***

17.4 If the Dispatching User of an offer point modifies one or both of the dates referred to in para. ***17.3ter*** b) and c) above, the Market Participant shall submit to GME a declaration with the new dates. The declaration shall indicate:

- a) identification code of the offer point for which the request for revocation is being made;
- b) new date from which the requesting Market Participant is entitled to submit bids/offers for that specific offer point; and/or
- c) new date until which the requesting Market Participant is entitled to submit bids/offers for that specific offer point; or
- d) date from which the requesting Market Participant is no longer entitled to submit bids/offers for that specific offer point.

17.5 *[omissis]*

17.6 *[omissis]*

17.7 *[omissis]*

17.8 On receipt of the requests referred to in para. 17.1 above, GME shall update the Register of Market Participants. For the purposes of the validations referred to in Article 28 below, the modification shall take effect within the second working day following receipt of the request by GME. For the requests referred to in paras. 17.3, 17.3bis, ***17.3ter and 17.4*** above, the modification shall take effect within the second

working day following receipt of the request and anyway not before the date referred to in paras. **17.3ter** b) and **17.4** b) above.

17.9 The following declarations shall be attached to the requests for insertion of data and information referred to in Article 16, para. 16.2 k) above:

- a) a statement of intent, laid out according Article 1 c) of Law Decree no. 746 of 29 December 1983, converted to Law no. 17 of 27 February 1984, that the Market Participant intends to make use of the option, for parties having made supplies for export or like transactions, to purchase goods and services not subject to VAT as per Article 8 c) of Decree of the President of the Republic no. 633 dated 26 October 1972. If the Market Participant intends to continue to make use of the option to purchase goods and services not subject to VAT, it shall renew such statement on the expiry date. If such statement is not renewed within the time limits established by law, GME shall apply the ordinary VAT scheme;
- b) a declaration issued in compliance with Decree of the President of the Republic no. 445 of 28 December 2000, if the Market Participant wishes to submit demand bids for the electricity uses specified in Table A, Part III, no. 103, attached to Decree of the President of the Republic no. 633 of 26 October 1972, and to benefit from the 10% VAT rate; the declaration shall certify that the Market Participant owns the offer points for withdrawal where such uses are to be made or that the Market Participant is a wholesale customer under Article 2, para. 5, of Legislative Decree no. 79 of 16 March 1999.¹

(Omissis)

.....

¹ Paragraph so replaced by the Urgent Amendments to the Integrated Text of the Electricity Market Rules, published on GME's website on 30 March 2004.