

Technical Rule no. 12 MGAS

(under article 4 of the Natural-Gas Market Rules, approved by the Ministry of Economic Development with its Decree of 6 March 2013, as subsequently amended and supplemented)

Title	Closing of open positions
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Reference Legislation	Article 66, Natural-Gas Market Rules
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1. Foreword

Article 66 of the Natural-Gas Market Rules (hereafter “Rules”) provides that, in the cases of default referred to in Article 66 thereof, GME shall – under the procedures and within the time limits established in the Technical Rules – determine the net delivery positions of the Market Participant, obtained from the algebraic sum of the transactions that the same Market Participant has concluded in the MGAS, and also

- a) close the net delivery positions, i.e. close the defaulting Market Participant's contractual positions by concluding transactions of opposite sign in the MGAS;
- b) where the procedure mentioned in subpara. a) above does not permit to close all the net delivery positions of the defaulting Market Participant, settle the remaining net position in the balancing system. In this case, GME shall assign to the defaulting Market Participant a transaction in the MGAS of a sign opposite to and with a volume equal to the one of the net delivery position that has not been registered at the PSV, and a price equal to the one that is applied in the balancing system, on the same gas-day as the one to which the net position refers, to imbalances having the same sign as the one of the non-registered position.

2. Closing of net delivery positions, i.e. closing of the defaulting Market Participant's contractual positions by concluding transactions of opposite sign in the MGAS

This paragraph describes the procedure for closing the net delivery positions referred to in subpara. a) of para. 1 above, by concluding transactions of opposite sign in the MGAS:

This procedure applies to:

- defaulting Market Participants owing to failure to pay or to increase the financial guarantee in respect of all the net delivery positions acquired until the occurrence of the default (expiration of the time limit for making payments or for increasing the financial guarantee);
- defaulting Market Participants owing to failure to register a net delivery position at the PSV, at the end of the session of the MGP-GAS, only as regards the net position that has not been registered.

Upon default, GME will – on behalf of the defaulting Market Participant – enter one or more demand bids and/or supply offers into the order book/s of the MGAS; these bids/offers will cover one or more contracts having a longer maturity and capable of minimising, until zeroing, the Market Participant's net delivery positions. This operation will be carried out until exhausting the defaulting Market Participant's open contractual positions.

GME will assign sale and/or purchase transactions to the defaulting Market Participant at the price or average price (in case of multiple operations) at which the same transactions are concluded.

3. Closing of net delivery positions by settling the defaulting Market Participant's remaining net delivery position in the balancing system

This paragraph describes the procedure for closing the net delivery positions mentioned in subpara. b) of para. 1 above, by settling the defaulting Market Participant's remaining net delivery position in the balancing system.

This procedure applies to:

- defaulting Market Participants owing to failure to pay or to increase the financial guarantee, limited to the net position that GME has not succeeded in closing, at the end of the MI-GAS, under para. 2 above;
- defaulting Market Participants owing to failure to register a net delivery position at the PSV at the end of the session of the MI-GAS, limited to the net position that has not been registered at the PSV.

In both cases, GME will assign to the Market Participant a transaction in the MGAS of a sign opposite to the one of the net position which has not been closed as per para. 2 above, i.e. which has not been registered at the PSV; this transaction will have:

- a volume equal to the one of the net delivery position which has not been closed, i.e. not registered at the PSV;
- a price equal to the price that is applied in the balancing system, on the same gas-day as the one to which the net position refers, to imbalances having the same sign as the non-registered position.