

Technical Rule no. 07 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	Types of contracts, Duration of the Trading Period and Cascading Mechanism
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Reference Legislation	Article 2, para. 2.1, subpara. r), Article 28, para. 28.3; Article 55, para. 55.2 and Article 60, para. 60.1 – MGAS Rules
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1. Foreword

Article 2, para. 2.1, letter r), of the Rules provides that forward contracts admitted to trading into the MT-GAS shall be defined in the Technical Rules.

Articles 28, para. 28.3 of the Rules, provides that the duration of the trading period of each type of contract in the MGP-GAS and MI-GAS shall be defined in the Technical Rules.

Article 55, para. 55.2 of the Rules provides that the list of forward contracts and their duration of the trading period shall be defined in the Technical Rules.

Article 60 of the Rules provides that, after their trading period, forward contracts shall be settled under the cascading mechanism in accordance with the procedures and within the time limits defined in the Technical Rules. The same Article also provides that, under the above-mentioned mechanism, the contractual positions held on each forward contract shall, at the end of the corresponding trading period, be replaced by equivalent contractual positions with shorter delivery periods.

2. Types of contracts admitted to trading into the MGAS

MGP-GAS and MI-GAS admit Daily products.

MT-GAS admits the following contracts:

- a) yearly contracts with delivery period corresponding to the calendar year (from January to December);
- b) half-yearly contracts with delivery period corresponding to six months of winter (from October to March) and the summer semester (from April to September);
- c) quarterly contracts with delivery period corresponding to the first, second, third and fourth quarter of each year;
- d) monthly contracts with a delivery period corresponding to each calendar month;
- e) BoM contracts.

3. Trading period

The following contracts will be simultaneously traded in the MGAS:

- 3 daily contracts in the MGP-GAS (G+1, G+2, G+3): the three gas-days after the one on

which the market session ends;

- 1 daily contract in the MI-GAS (G): the same gas-day on which the market session ends;
- 3 monthly contracts (M+1, M+2, M+3);
- 4 quarterly contracts (Q+1, Q+2, Q+3, Q+4);
- 2 half-yearly contracts (S+1, S+2);
- 1 yearly contract/calendar year (SY+1);
- 1 BoM contract: except for the third-to-the-last and next-to-the-last day of the month.

In the MP-GAS, contracts are traded in the following trading periods:

- Daily contracts in the MGP-GAS:
 - First trading session: third gas-day before the gas-day covered by the contract;

- Last trading session: gas-day before the gas-day covered by the contract;
- Daily contract in the MI-GAS:
 - Single trading session taking place on the gas-day corresponding to the gas-day covered by the contract.

In the MT-GAS, tradable contracts have the following trading periods:

- Monthly contracts:
 - First trading session: day of open market after the last day of trading of the contract pertaining to the previous third month;
 - Last trading session: second day of open market before the first calendar day of the month covered by the contract;
- Quarterly contracts:
 - First trading session: day of open market after the last day of trading of the contract pertaining to the previous fourth quarter;
 - Last trading session: third day of open market before the first calendar day of the quarter covered by the contract;
- Half-yearly contracts:
 - First trading session: day of open market after the last day of trading of the contract pertaining to the previous second half-year;
 - Last trading session: third day of open market before the first calendar day of the half-year covered by the contract;
- Yearly contract/calendar year
 - First trading session: day of open market after the last day of trading of the contract pertaining to the previous calendar year;
 - Last trading session: third day of open market before the first calendar day of the calendar year covered by the contract;

➤ BoM contract

- In each trading session, a BoM contract is traded whose delivery period consists of the gas-days elapsing from the second gas-day after the one of the session to the last day of the same month. If the second gas-day after the one of the market coincides with the first or last day of the month, the BoM contract is not traded.

4. Cascading mechanism

The cascading mechanism provides that, at the end of the session of the last trading day, the positions on the annual contract are divided into equivalent positions of contracts with shorter maturity (half-yearly and quarterly). In turn, the positions on a six-month contract are divided into equivalent positions of contracts with shorter maturity (monthly and quarterly). Similarly, a position on a three-month contract is converted into equivalent positions on the corresponding monthly contracts and a position on a monthly contract is converted into equivalent positions on the corresponding days of the BoM.

Annual contracts

At the end of the session of the last trading day of the annual calendar contract, GME assigns each Participant which has an open position on this contract:

- a fictitious transaction with opposite sign than the open position, at a price equal to the control price of the last trading day of the annual contract and an amount corresponding to the open position;
- a fictitious transaction with sign equal to the open position on the annual period on monthly contracts in January, February, March, on the summer half-year contract and on a quarterly contract relative to Q4 of the same year. The price of such transactions must be equal to the last control price relating to each contract subject of the transaction and the amount must correspond to the open position.

Half-year contracts

At the end of the session of the last trading day of the winter half-year contract, GME assigns each Participant which has an open position on this contract:

- a fictitious transaction with opposite sign than the open position, at a price equal to the control price of the last trading day of the half-year contract and an amount corresponding to the open position;
- a fictitious transaction with sign equal to the open position on the half-year period on monthly contracts in October, November, December and on a quarterly contract relating to Q1 of the

next thermal year. The price of such transactions must be equal to the last control price relating to each contract subject of the transaction and the amount must be corresponding to the open position.

At the end of the session of the last trading day of the summer half-year contract, GME assigns each Participant which has open position on this contract:

- a fictitious transaction with opposite sign than the open position, at a price equal to the control price of the last trading day of the half-year contract and an amount corresponding to the open position;
- a fictitious transaction with sign equal to the open position on the half-year period on monthly contracts in April, May, June, and on a quarterly contract relating to Q3 of the next thermal year. The price of such transactions must be equal to the last control price relating to each contract subject of the transaction and the amount must be corresponding to the open position.

Three-month contracts

At the end of the session of the last trading day of the three-month contract, GME assigns each Participant which has an open position on this contract:

- a fictitious transaction with opposite sign than the open position, at a price equal to the control price of the last trading day of the three-month contract and an amount corresponding to the open position;
- a fictitious transaction with sign equal to the open position on the three-month contract corresponding to the three-month period which forms part of a three-month contract. The price of such transactions must be equal to the last control price relating to each monthly contract subject of the transaction and the amount must correspond to the open position.

Monthly contracts

At the end of the session of the last trading day of the monthly contract, GME assigns each Participant which has an open position on this contract:

- a fictitious transaction with opposite sign than the open position, at a price equal to the control price of the last trading day of the monthly contract and an amount corresponding to the open position;;
- a fictitious transaction with sign equal to the open position on the BoM contract whose subject is the gas days ranging from the second day of the month until the end of the same month. The

price of such transactions must be equal to the last control price for the monthly contract and the amount must correspond to the open position;

- a fictitious transaction with sign equal to the open position, on the daily contract traded in the MGP-GAS corresponding to the first day of the month. The price of such transaction on the daily contract must be equal to the last control price of the monthly contract and the amount must correspond to the open position.

BoM contracts

Every day, after the close of the trading session of the BoM contract, with the exception of the sole BoM contract for the last two gas-days of the month, GME assigns each Participant which has an open position of said BoM contract:

- a fictitious transaction with equal sign to the open position at a price equal to the control price calculated at the end of the same trading day of the BoM contract and an amount corresponding to the open position;
- a fictitious transaction with sign equal to the open position, on the BoM contract traded in the next day. The price of such transaction must be equal to the last control price for the BoM traded on the same day;
- a fictitious transaction with equal sign to the open position, on the daily contract traded in the MGP-GAS. That daily contract refers to the first day on the BoM contract traded on the same day, or on all days of the contract. The price of such transaction on the daily contract must be equal to the last control price for the BoM traded on the same day.

After the closure of the session of the BoM contract related to the last two gas-days of the month, GME assigns each Participant which has an open position of said BoM contract:

- a fictitious transaction with opposite sign than the open position at a price equal to the control price calculated at the end of the same trading day of the BoM contract and an amount corresponding to the open position
- a fictitious transaction with equal sign to the open position, on the daily contract traded in the MGP-GAS of the days of the BoM contract. The price of such transaction on the daily contract must be equal to the last control price of the BoM.



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Records of fictitious transactions described in this paragraph to close the net positions on the gas-day that, due to the cascading, leaves the BoM contract, are made every day after the closure of the BoM trading session, at the closure of the trading session of the MGP-GAS of said gas-day.