

Technical Rule no. 5 rev. 01 MTE

(under Article 4 of the Integrated Text of the Electricity Market Rules, approved by the Decree of the Minister of Productive Activities of 19 December 2003, as subsequently amended and supplemented)

Title	Closing of contractual positions upon default
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Reference Legislation	Article 114, Integrated Text of the Electricity Market Rules
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1. Foreword

Article 109, para. 109.2 of the Integrated Text of the Electricity Market Rules (hereafter “ME Rules”) provides that a Market Participant shall be in default in the MTE if it has not adjusted the guarantee as per Article 102 thereof, or if it has not made payments to GME as per Article 104, para. 104.3 thereof.

Article 110, para. 110.1 provides that, in the above-mentioned cases of default, GME shall: suspend the Market Participant from the Electricity Market (ME) and, if it is also a Natural-Gas Market (MGAS) Participant, also from the MGAS; redeem the posted guarantees; and close the contractual positions in the MTE under Article 114 of the ME Rules, as well as the contractual positions in the MGAS, according to the provisions of the MGAS Rules.

Article 114 of the ME Rules provides that GME shall close all the contractual positions of the defaulting Market Participant in the MTE, by carrying out transactions of opposite sign with the same Participant in the MTE or MGP in accordance with the modalities and within the time limits defined in the Technical Rules.

2. Closing of the Market Participant’s positions in the MTE

Upon the occurrence of the cases of default referred to in Article 109, para. 109.3 a) and b), GME shall close all the pending contractual positions of the defaulting Market Participant in the MTE, by carrying out one or more transactions of opposite sign and assigning them to the same Participant.

GME shall close the positions in the MTE by trading one or more contracts, having a total quantity of electricity (calculated in respect of each of the hours included in the delivery period) equal to the quantity of electricity covered by the contract to be closed.

If GME does not succeed in closing the positions in respect of which the default has occurred, GME shall - considering, among others, the levels of liquidity of the MTE - close the positions directly in the MGP.

In particular:

- if the defaulting Participant has open buy positions, GME shall close these contractual positions by carrying out one or more sale transactions in the MTE or, alternatively, in the MGP, and assigning them to the defaulting Participant, at the price at which the transaction has been concluded or at the average price (in case of multiple operations) at which the same transactions have been concluded;
- if the defaulting Participant has open sell positions, GME shall close these contractual positions by carrying out one or more purchase transactions in the MTE or, alternatively, in the MGP, and assigning them to the defaulting Participant, at the price at which the transaction has been concluded or at the average price (in case of multiple operations) at which the same transactions have been concluded.

For the invoicing and settlement of payments in respect of the transactions mentioned in the above paragraphs, reference shall be made to the provisions on the defaulting Market Participant contained in Technical Rule no. 08 ME.