

Consultation document 02/2015

PROPOSAL TO AMEND THE RULES OF THE ENERGY EFFICIENCY CERTIFICATES MARKET

1. Introduction

The mechanism of the "energy efficiency certificates" or "white certificates" has been introduced into national law by the Ministerial Decrees of 20 July 2004 - bearing, respectively, in the field of natural gas, *New identification of national quantitative targets of energy saving and development of renewable sources, as per Art. 16, paragraph 4, of Legislative Decree no. 164 of 23 May 2000* and, in the field of electricity, *New identification of quantitative targets for increasing energy efficiency in end-use of energy, in accordance with Art. 9, paragraph 1 of the Decree no. 79 of 16 March 1999* - as subsequently amended and supplemented.

In particular the mechanism of the " energy efficiency certificates " establishes for those distributors of electricity and natural gas – that, starting from 31 December of the two years prior to each reporting year, have associated with their distribution network a number of end users more than 50,000 - the obligation to achieve annual energy savings targets that can be reached, cumulatively or alternatively, through the implementation of energy conservation projects, which give the right to issue a certain amount of energy efficiency certificates (TEE), or through the acquisition on the market (bilaterally and/or at the platform regulated by GME) of a quantity of TEE sufficient to fulfill that obligation. These obligations are *by law* a burden that is transmitted automatically to all those who take over in all forms in the distribution business with reference to those networks that, on 31 December of two years before, had at least 50,000 customers connected.

In this regulatory context, while implementing the provisions of Art. 29 of Legislative Decree no. 28 of 3 March 2011, and of Decree of the Minister of Economic Development of 28 December 2012 - subject to the advisory, control, monitoring and sanctioning acquitted by the Authority for electricity, gas and water supply system (hereinafter referred to as AEEGSI) - preliminary evaluation of the individual energy conservation projects and related certification activities of the savings achieved, previously held by AEEGSI, was taken by Gestore dei Servizi Energetici – GSE S.p.A. (hereinafter referred to as GSE).

Following such certification, GSE send GME requests for issuance of the TEEs recognized relatively to the savings achieved by the individual projects for the subsequent issue of TEEs in favor of the owners of related projects.



Once issued, the TEEs are deposited by GME on the account property of the owner of the property energy saving project, opened with a special register (TEE Register), regulated and managed by GME and they can be negotiated: i. within the market regulated and managed by GME under the above-mentioned Ministerial Decrees of 20 July 2004 (MTEE) or; ii. bilaterally, outside, therefore, the organized market, subsisting, however, in this case, the requirement for participants to provide for the registration of the quantities and prices of trade covered by the TEE Register.

The rules of operation of the TEE market are contained within the "Rules of operation of the market for energy efficiency certificates" (hereinafter referred to as MTEE Rules), implemented by GME and approved by AEEGSI by resolution no. 67/058 of 14 April 2005 and subsequently amended and supplemented, in order to introduce in the mechanism of operation of the market certain corrective elements essentially aimed, on the one hand, to consolidate the structure of the market and, secondly, to promote its further and gradual development.

While continuing the development path of the Energy Efficiency Certificates Market (MTEE), hereby GME, even accepting a wish expressed by the market participants, submits to consultation, in accordance with Article 3, paragraph 3.7 of the MTEE Rules, the proposal to amend the current rules of the MTEE in order to allow GME to act as a central counterparty in the trading on the above-mentioned market, in analogy to what occurred on other environmental markets regulated and managed by it (i.e. Green Certificates, Guarantees of Origin).

Stakeholders are invited to submit their comments, in writing, to GME - Institutional Relations and Communication - no later than July 13, 2015, deadline for closure of this consultation, based on one of the following ways:

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Those wishing to safeguard the confidentiality or secrecy, in whole or in part, of the documents sent are required to specify which parts of their document is to be considered confidential.

2. GME in the role of central counterparty in the trading conducted on the MTEE

The modification interventions proposed concern, as shown before, the introduction within the MTEE of the figure of central counterparty of the negotiations, whose activities would be carried out directly by GME.

The assumption of such a role would eliminate the risk that exists for participants to conduct transactions with counterparties that, in the activities following the conclusion of the negotiations, may become defaulted while meeting the operational and administrative requirements related to *trading* activities. This control of protection would stand beside the existing one in terms of guarantee of fulfillment of financial obligations secured, the latter, by the guarantee system in force that provides for the total financial coverage of the commitments taken by the participants while formulating their proposals for purchase.

The introduction of a counterparty then would remove the potential counterparty risk that remains for the market participant partly as a result of recent corrective actions operated on the working mechanism of the MTEE last December 2014, by which it was provided, among the other, the possibility for participants to notify GME the so-called "non-acceptable counterparties" - that is, those counterparties with which a participant does not intend to be part of negotiations during market sittings.

The assumption of the role of central counterparty of the transactions by GME – an intervention, however, repeatedly advocated by the participants - makes it possible to eliminate the above described problems, as GME would become the only counterparty negotiating trade agreements concluded by market participants and therefore, the entity that, like what occurred on other environmental markets regulated and managed by the same:

1. would invoice the amounts of purchase transactions concluded by the participant to each participant debtor, on the working day following the reference sittings;
2. would notify the amounts relating to the sale transactions made by the participant to each participant creditor, on the same day of the reference sitting, to receive the corresponding invoice within two working days.

As part of the subsequent activity of settlement of payments, GME will continue, like what is currently the case, to satisfy the claims against its participant debtors using the cash deposit paid by them as a



guarantee of the total countervalue of the purchases before the start of each market sitting, and, subsequently, to improve the payments due in respect of its participant creditors on the third business day following the reference sitting.

Lastly, please note that, as a direct consequence of the assumption of such a role on the market, would, in addition, become invalid:

- a) the existing obligations for participants to GME presentation of tax documentation concerning the VAT Information Exchange System (VIES), as the fact of "intra-Community transactions" carried out on the market by participants with Italian VAT could not arise, since, in fact, the only counterparty would be GME, also a VAT Italian subject;

- b) the changes introduced in the Rules of MTEE for the purposes of compliance with the provisions laid down by the legislature in the field of electronic invoicing¹ (approved by AEEGSI resolution 134/2015/r/efr of 26 March 2015), as, becoming GME the only negotiating counterparty of the participants, they would become invalid the current provisions governing the aspects of "provisional" finality and confirmation of market transactions involving, as counterparty, a Public Administration. Assuming the role of counterparty and directly managing the billing process, GME should, in fact, no longer wait, to consider definitive the transactions and thus the market outcomes - even for the calculation of the guarantees of the purchase proposal, and the capacity of the "certificates" of proposals for sale - for the response by the Italian seller and the Public Administration acting as purchaser, respectively, of the successful sending and receipt of the electronic invoices.

¹ Article 1, Paragraphs 209 to 214, of Law no. 244 of 24 December 2007 (the so-called Finance Law 2008).