



Borsa Italiana

IDEX

**Italian Derivatives Energy Exchange:
where power meets transparency**



London
Stock Exchange Group

IDEX

Overview

IDEX is the Energy Derivatives segment of IDEM, the Italian derivatives market managed by Borsa Italiana, a company of London Stock Exchange Group.

Launched in 2008, IDEX is the only regulated market where Italian power derivatives are traded. It currently offers both baseload and peakload power futures.

The unique characteristics of electricity price dynamics determine high price volatility. But power futures allow operators within the industry to mitigate undesired risks by providing hedging tools in a safe trading environment. This promotes better business planning and greater operational profitability.

“Power futures allow operators within the industry to mitigate undesired risks by providing hedging tools in a safe trading environment.”

Product characteristics

The underlying power spot market:

- The Day-Ahead market is managed by a state owned company, GME (Gestore Mercati Energetici)
- The single national purchase price ('Prezzo Unico Nazionale' – PUN) is calculated for every hour as a weighted average of the zonal prices determined on the Day-Ahead market.

Baseload and peakload monthly power futures

Characteristics	Description
Underlying	Electricity
Trading hours	9.00am–5.40pm
Quotations	Power futures contracts are quoted in €/MWh
Volume	Number of MWh that are the subject of the contract, which is equal to the number of hours included in the delivery period for baseload futures and the number of hours between 8.00am and 8.00pm Monday to Friday in the delivery period for peakload futures
Contract size	The size of the contract is determined by the product of the future's price and its volume
Tick	0.01 €/MWh
Traded contracts	Next three calendar months
Last trading day	Last trading day before the beginning of the delivery period
Daily closing price	The daily closing price is calculated by Cassa di Compensazione e Garanzia (CC&G)
Settlement	Settlement is paid in cash by Cassa di Compensazione e Garanzia (CC&G) on the first 'CC&G open day' following the last day of the delivery period. If the last day of the delivery period is not a trading day, settlement is paid on the second 'CC&G open day' following the last day of the delivery period
Physical delivery option exercise	Third trading day preceding the beginning of the delivery period. Clients of Gestore dei Mercati Energetici S.p.A. (GME) markets may send their clearing house a request for physical delivery of electricity in replacement of cash settlement. The request needs to be approved by GME
Settlement prices	The settlement price of the contract shall be equal to the arithmetic mean of the single national price ('Prezzo Unico Nazionale' – PUN) in the delivery month for baseload contracts, and equal to the arithmetic mean of PUN between 8.00am and 8.00pm Monday to Friday during the delivery month for peakload contracts. The single national price for the purchase of electricity in Italy is calculated for each hour of the following day on the basis of trading results on the Day-Ahead market managed by Gestore dei Mercati Energetici S.p.A
Position limits	None

4th

day before start
of delivery period
is last for trading

Baseload and peakload quarterly power futures

Characteristics	Description
Underlying	Electricity
Trading hours	9.00am–5.40pm
Quotations	Power futures contracts are quoted in €/MWh
Delivery period	January–March, April–June, July–September and October–December
Volume	Number of MWh that are the subject of the contract, which is equal to the number of hours included in the delivery period for baseload futures and the number of hours between 8.00am and 8.00pm Monday to Friday in the delivery period for peakload futures
Contract size	The size of the contract is determined by the product of the future's price and its volume
Tick	0.01 €/MWh
Traded contracts	Next four quarters
Last trading day	Fourth trading day before the beginning of the delivery period
Daily closing price	The daily closing price is calculated by Cassa di Compensazione e Garanzia (CC&G)
Settlement	Quarterly futures cascade into monthly futures
Cascading	At the end of the last trading day all open positions shall be replaced by equivalent positions of the same profile (baseload or peakload) in the three monthly futures with delivery periods equal to the calendar months included in its delivery period
Position limits	None

Baseload and peakload yearly power futures

Characteristics	Description
Underlying	Electricity
Trading hours	9.00am–5.40pm
Quotations	Power futures contracts are quoted in €/MWh
Delivery period	Calendar year
Volume	Number of MWh that are the subject of the contract, which is equal to the number of hours included in the delivery period for baseload futures and the number of hours between 8.00am and 8.00pm Monday to Friday in the delivery period for peakload futures
Contract size	The size of the contract is determined by the product of the future's price and its volume
Tick	0.01 €/MWh
Traded contracts	On every trading day there is at least one baseload and one peakload expiry. Starting from the first trading day of September each year, a second yearly baseload expiry is traded until the last trading day of December
Last trading day	Fourth trading day before the beginning of the delivery period
Daily closing price	The daily closing price is calculated by Cassa di Compensazione e Garanzia (CC&G)
Settlement	Yearly futures cascade into monthly and quarterly futures
Cascading	At the end of the last trading day all open positions shall be replaced by equivalent positions of the same profile (baseload or peakload) in the three monthly futures with delivery periods January, February, March and quarterly futures with delivery periods April–June, July–September and October–December
Position limits	None

IDEX

The right market for every type of participant

Trading on IDEX

Available through Sola® trading system and through Trayport GlobalVisionSM Portal

Each market participant of IDEX has a specific objective, and power futures allow these diverse objectives to be met by offering the following benefits to each party:

- Suppliers/producers
- Energy consumers
- Financial players/traders

Access to trading

Via a financial intermediary

- The most convenient way to trade on IDEX for those companies who do not intend to trade large volumes, allowing savings on fixed costs associated with direct access to the market
- Fees sustained by the final client are not determined by Borsa Italiana but rather by the financial intermediary who is in direct competition with other intermediaries.

Via direct membership

- All intermediaries authorised to trade on proprietary and/or third parties account can access the market directly
- Firms set up in the legal form of a limited company or a limited liability company or equivalent, which satisfy membership requirements, can trade via direct membership
- Non-financial companies are allowed to trade on proprietary account only.

Trading and order types

Trading on IDEX takes place on the SOLA® platform which is the platform used for the derivatives market IDEM, as well as on Trayport GlobalVisionSM Portal. IDEX provides members with several types of options to enter, modify or cancel orders on the electronic order book. Every type of order can be sent out with specific features for execution criteria, and orders are always processed according to price/time priority criteria.

Alternative order execution available on Sola® platform

Committed cross order

Aimed at the conclusion of a contract in which the counterparties are predetermined, and where the set price is included within the order book price spread.

Internal cross order

Aimed at the conclusion of a contract in which both counterparties are the single operator who entered the order, and where the set price is included within the order book price spread.

Block orders

Cross orders can be entered at a price outside the order book price spread if the contract quantity is equal or greater than:

- 50 contracts for monthly futures
- 30 contracts for quarterly futures
- 15 contracts for yearly futures.

€2

is the maximum spread allowed on baseload contracts up to first yearly expiry

Market making

In order to improve the liquidity of IDEX, Borsa Italiana may provide the following types of market makers:

Primary market makers

Required to display bids and offers on a continuous basis for both baseload and peakload monthly, quarterly and yearly futures.

Market makers

Required to respond to requests for quotations for both baseload and peakload monthly, quarterly and yearly futures, within two minutes; the response must remain on the book for at least 15 seconds.

Liquidity providers

Required to display bids and offers on a continuous basis for baseload and/or peakload monthly futures and/or quarterly futures and/or yearly futures.

In displaying the bids and offers and in responding to requests for quotation, primary market makers, market makers, and liquidity providers must observe the parameters set out below (the 'spread' is the maximum allowed difference between bid and ask prices):

Contract	Minimum number of displayed contracts	Spread €/MWh
Baseload monthly futures	10	2
Baseload quarterly futures	5	2
Baseload yearly futures (1st expiry)	5	2
Baseload yearly futures (2nd expiry)	5	3
Peakload monthly futures	10	3
Peakload quarterly futures	5	4
Peakload yearly futures	5	3

The quotation obligations shall begin at 9.30am and end at 5.40pm. Primary market makers and liquidity providers are required to restore their quotations within two minutes of a hit on the book.

Central counterparty system

Cassa di Compensazione e Garanzia (CC&G)

CC&G is the central counterparty and guarantees all transactions executed on the market. CC&G has a separate section (Energy Derivatives Section) and a related Default Fund for contracts traded on IDEX.

General Clearing Member (GCM)

A GCM becomes a counterparty of the clearing house for proprietary and/or client and/or non-clearing members' transactions.

Individual Clearing Member (ICM)

An ICM becomes a counterparty of the clearing house for proprietary and/or client transactions.

Non-Clearing Member (NCM)

An NCM stipulates an agreement with a GCM so that the latter becomes counterparty of the clearing house for the NCM's proprietary and/or client transactions. Banks and investment firms authorised to provide Investment services in Italy can become a GCM, ICM or NCM while other members of IDEX can only become an NCM.

To ensure all transactions can be guaranteed, CC&G has 3 key financial safeguards in place: a margining system, admission requirements, and funds and proprietary financial resources.

“CC&G is the central counterparty and guarantees all transactions executed on the market.”

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