

THE ORGANISED GAS MARKET STARTS TOMORROW THE PRODUCT NEGOTIATION IN ITS TRADING PLATFORM

- THE ORGANISED GAS MARKET WILL GIVE MORE TRANSPARENCY TO THE SECTOR AND THE CONSUMERS; IT WILL ALSO INFLUENCE IN THE COMPETITION AND WILL PROMOTE THE PRICE SIGNAL FORMATION ACCORDING WITH THE SITUATION OF THE MARKET. THIS WILL MEAN, GOING FORWARD WITH ITS OWN CONSTITUTION IN THE ACHIEVEMENT OF A UNIQUE ENERGY MARKET IN EUROPE.
- MIBGAS IS THE OPERATOR OF THE ORGANISED GAS MARKET IN SPAIN AND PORTUGAL. IT IS IN CHARGE OF ITS MANAGEMENT, ORGANIZATION AND OPERATION UNDER THE PRINCIPLES OF EFFICIENCY, TRANSPARENCY, OBJECTIVENESS, NO DISCRIMINATION, INDEPENDENCE AND WILLFULNESS.

Madrid, December 15th, 2015. Tomorrow, December 16th, the Organised Gas Market will start the natural gas product negotiation through its platform, developed and deployed by the Market Operator (MIBGAS). With the launch of the Organised wholesale natural gas market a leap occurs in the process for the creation of a gas market in the Iberian Peninsula, similar to the ones working in other European countries and in accordance with the principles contained in the European Gas Target Model promoted by the European Union. The launch of the Organised Gas Market is also included within the energy reform developed in recent years by the Government of Spain with the aim, in the gas industry, of promoting competition and thereby promote the final cost of gas is reduced to industrial and domestic consumers.

Therefore, the creation of an Organised secondary market, where transactions will be carried out between gas importers and retailers within gas system, is a decisive step towards market liberalization (already started in 1998 with Law 34/1998) which also will bring greater transparency to the sector and consumers, which may consult the diary price, an improvement of effective competition between agents, as well as new opportunities for international trade. It also pursued with its implementation, the formation of a reference price in the Iberian market, since Organised markets like the one developed by MIBGAS, provide the most appropriate mechanisms for determining the price of gas exchanged, becoming more important and relevant as a gas transactions reference.

Single energy market

The implementation of the Organised Gas Market, within the energy reform developed by the Government with various legal measures in recent years, is a step to move towards the construction of a single, fully functioning and interconnected energy market in Europe, where the Iberian Peninsula has to play a prominent role. Law 8/2015, of 21 May, amending Law 34/1998 of the hydrocarbons sector is the most important milestone for the promotion of the Iberian gas market, and opens the way for the operation of the market encompassing the gas systems of Spain and Portugal, which has already started the process with the adoption of a *Portaría* in August.

Similarly, this Law is developed by the Royal Decree 984/2015 published on October 30th. This Royal Decree regulates the Organised Gas Market and the third parties access to the gas system installations. The Resolution of December 4th 2015 from the Secretary of Estate of Energy approves the "Organised Gas Market Rules and Resolutions" and the "Adhesion Contract" and it was published in BOE last Wednesday, December 9th. The Circular 2/2015 from the Markets and

Competence National Commission (CNMC) published on July 22nd, establishes a gas balancing network code in the transport networks of the gas system. The design and implementation of an Iberian gas market model come from previous works initiated by OMEL and OMIP SGPS in 2012.

The Organised Gas Market is operating since last Thursday, 10th December. The registration process for all the agents and representative entities interested in participating is available since the day that the “Market Rules and Resolutions” and the “Adhesion Contract” entered into force. The Rules list the procedures, terms and applicable conditions for the market management and operation whereas. The Regulations cover the different products and processes details. All agents and representative entities must sign the Adhesion Contract to negotiate on the market.

Likewise, subjects that can negotiate on the market are: the market operator, retailers and direct consumers, the technical manager of the gas system, transporters and distributors, the Spanish Corporation of Strategic Reserves of Oil-based Products (CORES), and any subject that trades gas with the rest of market participants without accessing to third parties installations (traders).

Market operation

The Organised Gas Market will be performed (through an electronic platform developed by OMIE taking in advantage its experience as the Spanish power market operator) by gas trading operations in the Virtual Balancing Point with physical delivery in the short term. In this market, standardized products will be negotiated by means of title transfer.

All shippers, distributors, retailers and direct consumers may buy or sell gas through standardized products (Royal Decree 984/2015, of 30 October) according to their commitments and needs. The procurements are free and voluntary. Moreover and pursuant with the gas balancing network code, the Technical Manager of the Gas System (Enagás GTS) will participate in the Organised Gas Market to purchase or sell gas required to enable it to perform its balancing actions and ensure the viability of the programmes.

The Market will operate with two different sessions: Auctions and Continuous Market. During the trading Auction, which will take place between 8:30 and 9:30 am, the Agents can post purchase and sales (bid/ask) orders for a specific product. Once the Auction is closed, MIBGAS integrates all the purchase and sales orders received, plotting, respectively, the purchase and sales curves for that product. The crossing point on both curves provides the Auction’s marginal price, which is applied to all the trades matched. On the other hand, Continuous Market trading, which will take place in different sections until 21:00, the orders will be processed as they are posted on the Trading Platform. If a new order posted is competitive with pre-existing orders of the opposite sign in the Order Book, the order is matched with those orders and the Trade is firm; otherwise, it remains in the Order Book, communicated to Technical Manager of the Gas System, repaid and settle.

MIBGAS, as market operator will be carrying out their activities under the principles of efficiency, transparency, objectiveness, no discrimination, independence and willfulness.