



GME'S NEWSLETTER – New issue now on line

Rome, 16 October 2014 – The new issue of the Newsletter of Gestore dei Mercati Energetici (GME) is now downloadable at www.mercatoelettrico.org.

The newsletter opens with a contribution by Claudia Checchi and Roberto Bianchini, from REF-E, about the take-off of tenders for awarding gas distribution concessions. *Indeed, emphasise the experts, the date by which the contracting authorities are held to publish the call for tenders (otherwise, the entire process will be transferred to the region) has been recently set. The stake is significant: at the end of the process, the number of concessions will drop from over 7,000 at present to 175, within the local service areas (ATEM – “Ambiti Territoriali Minimi”) identified by the law-makers and grossly corresponding to the provinces. Fifty-one operators, 16 of which may be defined as incumbent, are active in the first group - 24 ATEMs for which the calls for tenders should be launched between March and June 2015. The outcomes of the tenders and the strategies of the individual operators about whether to participate therein or not will obviously depend on multiple factors: aspects related to regulation or to the financial sustainability of the operations for small operators, just to mention a few - concede Checchi and Bianchini, for whom the risk of consolidation of the incumbent in each ATEM is real. The experts from REF-E point out that this scenario would lead to a high re-concentration of the sector, which would however retain a good plurality of operators. Nevertheless, the actual take-off of the tenders and the strategic options of current distributors will be dictated by the regulatory framework. In particular, the industrial residual value (VIR – “Valore Industriale Residuo”, used as starting price for the tender) for reconfirmed operators was revised, by reducing the number of cases where the deviation from the regulatory asset base (RAB, one of the main parameters to assess the value of the concessions) exceeds 10%. The measures adopted to realign VIR and RAB will not necessarily bring about tariff*



increases in the immediate future, explain Checchi and Bianchini. This adds to other changes, e.g. the elimination of incentives for new investments and the option, upon bidding, to offer tariff discounts, which will be passed on to consumers. However, the risk of losing many investment opportunities remains: current operators are probably confining themselves, at this stage, to the investments needed to satisfy regulatory quality constraints, while new investors may ultimately get discouraged - conclude the experts from REF-E. Thus, the true cost to the consumer may be seen in the longer term, when the effects of the investment delays accumulated in these waiting years become manifest.

The new issue also comes with the usual technical commentaries about national and European power exchanges and environmental markets, with the section devoted to the analysis of the Italian gas market trends, as well as with the one giving insight into the trends of the main European commodity markets.

As has become customary, GME's new publication also reports the **summary data of the electricity market for the month of September 2014.**

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