

NEWSLETTER GME – New issue now online

Rome 17 January 2018 – The new issue of the newsletter of Gestore dei Mercati Energetici (Gme) is online and can be downloaded from the website www.mercatoelettrico.org.

The newsletter opens with an intervention by Virginia Canazza, Claudia Checchi and Marco Pellegrino from the REF-E on possible new balances in the evolution of the electricity system determined after the launch of the SEN. The REF-E analysts point out that in the scenario outlined by the National Energy Strategy, the electricity demand *"is progressively increasing its importance in the energy mix (from 20 - 21% of gross final consumption in 2014-15 to 24% in 2030). Moreover, it is covered by a gradually increasing share of renewables (from 34% of the 2015 needs, up to 55% of the gross final consumption predicted in 2030), from conventional gas technologies including the complete phase-out of coal by 2025, and from a net import from foreign countries in reduction as a result of the energy strategies of the interconnected countries, in particular the plans for the decommissioning of the French nuclear power plants"*. However, regardless of the scenario, Canazza, Checchi and Pellegrino explains that *"the price of CO₂, expressed through the mechanism of the Emissions Trading System (ETS), is the cornerstone that, in the face of the expected conditions for other commodities, ensures switching between conventional technologies and renewable technologies, and, in the framework of the thermoelectric ones, the replacement of coal and gas plants. Therefore, when it comes to the trend of global market prices, the price of the units of outputs and the effectiveness of the European ETS system will dictate the path to the definition of economic competition between different technologies "*. In addition to the price of CO₂ that provides the right signals to the development of renewables, there are other crucial elements for the effective feasibility of the developments identified by both the SEN and REF-E. Among these, the accumulation systems that are considered by the analysts as *"fundamental in order to allow, on the one hand, the balancing of the system and, on the other hand, a more active participation of intermittent renewables in all stages of the market, also promoting economic sustainability"*.



However, in order to bring the current share of electricity production to renewables up to 55% in 2030, *"technological progress and the reduction in costs are certainly indispensable"* although Canazza, Checchi and Pellegrino also point out that *"trends of commodities price, with specific reference to gas price, remain fundamental to determine the level of market parity"* adding that in this case the instrument identified, and also referred to by the SEN, *"to reconcile the dual need to favor the market and support renewables"* is that of *"long-term contracts and, in particular, the Power Purchase Agreements (PPA) "*. Therefore, in order to reach the SEN targets of electric renewables by 2030, *"all resources and technologies are required to be used immediately, allowing the market to establish the best technological and operational set-up that leads to the market parity and which enables an appropriate and neutral dispatching of the various plants, especially through the use of storage systems. In particular, the effective integration of renewables into the electricity system requires appropriate network infrastructure developments, allowing both a management capacity of the energy provided, and a reduction in security costs"*. The REF-E analysts conclude by saying that, along with them, *"the adjustment of the market model to allow the active participation of all resources, including renewables"*, *"the optimization of the distribution network flows through the development of smartgrids"* and the *"reform of the ETS system, able to appropriately manage supply surpluses, responding with a medium-long term price signal that could discourage the use of coal in the electric mix "* should also be implemented.

The GME's new publication also reports, as customary in January, **the summary data of the electricity market of 2017.**

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