



## GME'S NEWSLETTER – New issue now on line

Rome, 7 July 2009 – The new issue of the Newsletter of Gestore del Mercato Elettrico (GME) is now downloadable from [www.mercatoelettrico.org](http://www.mercatoelettrico.org)

The newsletter opens with a contribution by **Professor Alberto Clò** (University of Bologna), editor of "Rivista Energia". Professor Clò makes an in-depth analysis of the energy scenarios arising from the ongoing crisis and of the choices that the system will be called to make.

*"The Great Crisis strangling the worldwide economy - stresses Clò - will have a dramatic impact on energy markets and future energy scenarios. Our biggest mistake would be to design them by extrapolating the past, with mere down-adjustments of previously expected trends. In the energy industry, taking decisions in a climate of uncertainty is physiological. However, doing it in the illusion of certainty may be disastrous".*

*This is the lesson - recalls Clò - that we should have learned from the only comparable period: the early 1980s, in the midst of the oil crisis, which sparked a recession whose numbers were not far from those of the current one. The then common belief was that oil demand would recover its pace, albeit slower than in the past, as soon as recession was over. Things turned out completely differently. Demand recovered, but much less than "predicted". Investments founded on those predictions turned into an enormous bloodbath".*

*"Today's situation – states Clò - is not dissimilar. The systemic nature of the current crisis does not offer any variable based on which we may draw the future of Europe. The set of these uncertainties will concentrate above all on natural gas: the source which should have grown the most in industrialised countries and the one which will be displaced the most by renewables. The prodromes of this crisis are already perceivable. After half a century of uninterrupted growth, worldwide natural gas consumption in 2009 will fall by an estimated 2 to 9%. In a matter of very few months, the international natural gas market passed from the hands of sellers to those of buyers, with a progressive extension of the surplus in supply and production capacity. This surplus is bound to rise as a result of the combination of three factors: economic crisis, growth of renewables, commissioning of new generating capacity".*

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*“We are still far from starting to consider the repercussions of all this on the Italian future energy scenario and on actions to be undertaken in order to strengthen security, competitiveness and the environment - continues Clò. I am afraid that we are underestimating the magnitude of the current crisis and its structural implications in terms of energy demand and its distribution by consumption sector and by source, perhaps illusorily thinking that we can exorcise its effects. If we wish to avoid economically fallacious choices - concludes Clò - or prevent the climate of uncertainty and risk from dwarfing investment propensity, then some “systemic reflection” is imperative. This reflection should concern the energy scenarios possibly emerging in Italy from the present crisis, the (updated) targets to be pursued, the corrective measures that the Government intends to adopt - a “programmatic exercise” to the benefit of stakeholders (institutions, companies, consumers) and to the country as a whole”.*

As has become customary, issue no. 18 of GME’s publication reports the **summary data of the electricity market for the month of June** and the **fuel market** section, which analyses oil and fossil fuel price trends in the international market. The new issue comes with the usual technical commentaries on European and national environmental markets and power exchanges, as well as an analysis by **Clara Poletti (IEFE)** of the development of smart grids in Europe, in the light of the third energy package, as a crucial factor in the integration of European markets and in the implementation of sustainable development.

*“The development of smart power distribution grids - points out Poletti - is becoming an energy policy priority in many countries. Also the European Union is resolute in this regard. Last April, as part of the so-called third package, the European Parliament and the Council approved a directive on the development of the internal electricity market, introducing obligations to install smart meters”.*

The deployment of smart grids *“may yield multiple benefits. First of all, these new features are expected to facilitate the management of the grid, in the presence of a major and growing share of generating capacity on the distribution side. Conversely, with regard to end users, the most significant innovation is the installation of smart meters and the use of information systems capable of handling the transfer, processing and utilisation of the metered data”.*

*“Hence, smart grid supporters - concludes Poletti - herald a new paradigm of electricity markets, where the boundaries between producers and consumers and between distribution and transmission will become increasingly blurred. However, the debate is still far from being mature. In assessing policy choices, one factor should be taken into account: applying the new digital technology is not sufficient to steer the system towards a “smart” configuration. All the main features of today’s markets, ranging from market design to regulation mechanisms, should be rethought in the new setting. Without this wide systemic vision, it will be hard to clearly assess the costs and benefits of smart grids and thus make conscious decisions”.*



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