

NEWSLETTER OF GME – Publication of the new issue

Rome, November 17, 2015 – 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 starts with a speech by Mr. Mario Cirillo and Mrs. Michele Dalena of REF-E on green energy and electricity market in Germany. The country, in fact, *"is facing a process of reform of the rules governing the electricity market, designed to support its national plan for the long-term decarbonisation"*, say the two experts of REF-E. A plan that provides, in essence, a *"mix dominated by renewable energy,"* nothing *"nuclear (since 2022), minimizing the consumption of coal and lignite"* with which Germany aims to *"halve the gross final consumption of energy by 2050 and to meet this reduced consumption by 60% through clean sources*. One of the basic steps for the implementation of the national strategy of decarbonisation is precisely the redesign of the rules governing the electricity market: *"The electricity market 2.0' - observed Mr. Cirillo and Mrs. Dalena - will be an energy-only market, i.e. without capacity market, in which the German government hopes that the adequacy and safety requirements will be met, thanks to the correct signals price as well as through strong integration with neighboring electricity markets, the exploitation of flexible resources on the supply side and the demand side, and the establishment of a strategic capacity reserve separate from the market. The latter will also be an important tool for achieving the targets and reducing greenhouse gas emissions compared to which Germany is committed by 2020."*

In particular, the two analysts of REF-E observe, the new model designed by the German government states that *"energy markets are left free to provide price signals that encourage the return of the capacity required for the adequacy and safety of the system"*, and also changing the markets of the reserves and drawing *"hourly products rather than blocks of hours, and providing (if not already provided) the daily auctions, instead of weekly ones."* On the side of the flexible technologies, the German



government aims firstly *"to support the penetration of electric mobility"* and propose *"transitional and permanent measures for the cogeneration."*

While on the side of costs of network and system, Mr. Cirillo and Mrs. Dalena explain, the intention is to ensure *"the 'dynamic' application (that is variable according to time of day) to large consumers of the benefits"* and that of removing since 2022 *"economic benefits to distributed generation (renewable or not) systems in terms of costs avoided to the network."*

However, they admit the two experts of REF-E, the prospect of measures is linked to the *"strength of the incentive mechanism of the market"* and the *"little capacity linked to the exit, spontaneous and not, of a large portion of the existing capacity"* in a current situation of *"over-capacity"*. Therefore, *"in a context of gradual elimination of direct public funding"* and of *"increasing integration of these technologies in the market,"* Mr. Cirillo and Mrs. Dalena conclude *"it remains a significant risk of delay in achieving the goals of climate policy."*

The new issue of the newsletter contains the usual technical commentaries on the markets and national and European power and environmental exchanges, the section devoted to the analysis of the performance of the Italian gas market and the analysis section on trends in Europe, which examines the trends of the main European commodity markets.

GME's new issue also reports, as customary, the summary data of the electricity market for the month of October 2015.

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