

GME PUBLISHES THE ANNUAL REPORT FOR 2015

Rome, 12 July 2016 – It was published today the Annual Report for 2015 of the Gestore dei Mercati Energetici – GME. The publication, available at www.mercatoelettrico.org, details the activities performed during the year, while giving a complete overview of the main results of the electricity markets, the natural gas and the environmental markets and the national and international activities and projects involving GME.

2015 was a very significant year in terms of integration of national electricity markets in the European market.

24 February 2015, in fact, after the approval of the contractual framework of the project by the national Regulator, GME started the *market coupling day ahead* operation on the Italy-France and Italy-Austria borders, by bringing together also the operation of the first coupling mechanism already experienced on the Italy-Slovenia border in the new and more wider regulatory and operational framework of the IBWT (Italian Border Working Table) project. The positive impacts of the IBWT coupling were immediately noticeable with the efficient use of interconnections and more frequent price alignment, especially between the French and Italian markets.

In the path of integration of the EU electricity markets, GME participates, together with other European PXs, also in the project for the design and implementation of the *intraday coupling process* (PXs Cross Borders Intra-Day - PXs XBID) - whose launch is expected for the second half of 2017 - by which the European network Managers - in coordination with the related market management systems - can allocate, implicitly, the inter-border capacity available in the intraday horizon. On 5 June 5 2015 GME entered into the contract for the development of the market software, as well as contracts related to it with the other participating power exchanges and with the selected supplier. In parallel to the Xbid project, just to make more efficient the intraday allocation mechanism of the interconnection capacity available with foreign countries, GME, was committed in 2015 in the implementation of the first project of the intraday market coupling between Italy and Slovenia, initiated in June 2016. The identified mechanism foresees that the market coupling is conducted through the coordinated operation of some auction sessions of the Italian Intra-Day market (MI) to be coupled with the Slovenian market. Such Intraday Market Coupling mechanism was aimed to trigger an initial pilot project that could also be extended to other Italian borders, thus extending the benefits of the broader European Xbid project and favoring the integration between the implicit auction mechanisms, already in use in *day-ahead* markets, and continuous trading implemented close to the real time.

From a regulatory perspective, within the EU, there was a definitive approval of the Rules on the "Guidelines on capacity allocation and congestion management - CACM" (EC no. 2015/1222) come into force on 14 August 2015, which sets new and common rules for the performance of activities of electricity exchanges and the allocation of cross-border capacity through market coupling. One of the provisions of the CACM provides for the appointment, by the national institutions, of the Nominated Electricity Market Operators (NEMO), the parties responsible for managing the market. In this context, GME was appointed, by a formal act of the Ministry of Economic Development - and a favorable opinion expressed by AEEGSI - as the only NEMO for Italy in the area



of management of the coupling processes related to the integrated management of day-ahead market and the new intraday market.

In the gas sector, in the course of 2015, GME supported AEEGSI, together with SRG, in the harmonization process of the regulatory framework system balancing mechanism - designed at Community level by (EU) Regulation No. 312/2014 - but also concluded, as the nomination agent, specific cooperation agreements with third European exchanges - ICE Clear Europe Limited, and European Commodity Clearing ECC - interested in offering financial products on their platforms with physical delivery of gas at the PSV, thus contributing to the increase of the liquidity on the Italian hub.

The role of GME in the implementation of the provisions of Regulation no. 122 /2011 REMIT, which provides for the obligations of the parties operating on the wholesale electricity and gas markets in order to implement a centralized wholesale markets monitoring system in Europe and coordinated by ACER, the Agency for the Cooperation between the Regulatory Authorities. GME during 2015 implemented two platforms, through which it supports market participants in meeting the data reporting obligations to ACER and publication of inside information, namely, respectively, the Data Reporting Platform (PDR) and the Platform for the publication of inside information (PIP), as well as accrediting from ACER among the top 20 entities in Europe authorized to carry out the reporting service (RRM). As of 7 October 2015, in line with the timelines provided by European legislation, it was launched the Data Reporting Platform (PDR), through which all customers of the electricity and natural gas markets of GME can send ACER the transactions carried out in relation to contracts for the supply and transmission of electricity and natural gas also concluded bilaterally. Since 4 January 2016 the Inside Information Platform (PIP) destined, however, to ensure market participants the timely publication of inside information in their possession, became operational.

Referring finally to the fuel sector, in 2015 GME, after completing the process of analysis and study on the possible models of organization and operation of the logistics and oil products market platforms with those operating in the industry, it continued the comparison with the reference institutions and industry associations, in order to implement efficient platforms, corresponding to the needs of the participants.

At the national level, despite a still uncertain economic environment, in 2015 there was the first reversal signal in energy demand after five years of decline, with a revival of consumption in the electricity sector over the previous year by 1.5% (namely 315.2 TWh) and in the gas sector, up by 9.1% (namely 66,947 bcm).

In this context, also volumes traded on all major electrical and gas markets managed by GME grew.

Exchanges on the Day-Ahead Market (MGP) were brought to 287.1 TWh (+ 1.8% over the previous year), breaking the losing streak began in 2009. Although liquidity returned to rise to nearly highest values since 2005 (68%).

In this context, the electric spot prices confirmed to be at the low levels of the decade thanks to the marked spread of renewable and lower demand, with the average price of electricity purchased in the Power Exchange (PUN), which marked a slight rise (+0.23 €/MWh; +0.4%) compared to the all-time low of 2014, amounting to € 52.31/MWh and stopping the sharp downward trend recorded in the previous two years.



In 2015 sales by renewable source plants, growing steadily since 2010, marked a sharp turnaround and fall to 89.4 TWh. The decline affected all renewables except geothermal one (+5.1%). They mark, by contrast, a strong recovery those sales from traditional source systems driven in particular by gas plants that, after reaching their all-time low in 2014, were characterized by 20.4% annual increase. Therefore the percentage of renewable sources falls to 37.8% (42.9% in 2014) in favor of that of the conventional thermal power plants; the percentage of gas rises to 38.4% (+6.3 percentage points).

On the gas markets managed by GME, the PB-GAS confirms the positive evolution of liquidity and the function of supporting the needs of the TSO balancing, thus registering an increase of participants registered (+10) and a further increase in volumes traded, which update the new all-time high at 48 TWh (+5.9%).

On environmental markets, there was the assumption by GME, as of October 2015, of the role of central counterparty in the transactions concluded on the now mature market of Energy Efficiency Certificates (MTEE). The assumption of that role allowed the elimination of the risk of the participants to perform transactions with counterparties that, following the conclusion of the negotiations, failed to meet the administrative and fiscal requirements. The market reaction, on which there was an increase of 8.3% of transactions (3.8 million toe), which, however, contained only a partial reduction of 25% of energy efficiency certificates traded in the field (8.7 million toe), powered by the decline in volumes traded bilaterally, was positive. With the elimination of the mandatory amount of renewable energy to be supplied, it results in the physiological decrease of 14.6%, also the volume of exchanged in the system of green certificates (37 TWh in total). While they are up slightly (+ 4.7%) the exchange of the origin guarantees (46 TWh).

Gestore dei Mercati Energetici S.p.A.
Institutional Relations and Communication
Tel. +39 06 8012 4549
Fax. +39 06 8012 4519
relazioni.istituzionali@mercatoelettrico.org
www.mercatoelettrico.org