

# European Power Daily

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## THE MARKET

### Italy's GME exchange looks to EU integration

The integration of Italy's GME power exchange with other European exchanges as part of the regional price coupling project faces several obstacles, most specifically the issues of the time of payment settlements and the closure time for the market, according to exchange CEO Massimo Ricci.

Speaking on the margins of the Emart Energy conference in Amsterdam, Ricci said "the target for the authorities is to change the time of settlement," but added that this "won't happen from one day to the next, there will be a congruous time of several months to get to a two-days ahead payment and market coupling in 2014."

He said GME in summer consulted on changing the time settlement for payments, which currently settle on the Italian exchange two months after transactions have been closed, against two days for the other European markets.

"Obviously, our platform needs some adjustments in order for the market coupling to come into place," he said, adding that GME is considering whether to make other changes to further foster integration, such as to "the time when offers can be submitted on the day-ahead market, which is now in the morning and will have to move towards midday."

He added, however, that this shouldn't represent an issue for the system.

Ricci said "there's an ongoing discussion with the industry ministry and the energy authority which is necessary to finalize the changes."

"All decisions have to be approved by the authorities," he added.

Speaking of projects that GME is carrying out with other European exchanges, he said that in line with the market coupling of regions an intraday integrated market is being developed, which is "in a preliminary phase of definition."

He said the aim was to reach an implementation of the intraday market by 2014.

"The intraday market would allocate cross-border capacity beside the existing explicit auctions through a system of implicit allocation similar to that of market coupling."

Asked whether European exchanges were working towards developing a balancing system as well as an intraday market, he said that "the discussion has started because the development of renewables has raised the subject and there's the need to manage cross-border balancing."

He said the issue of the balancing system is "very important for Italy", but that because of the differences between power market models in Europe the integration is complicated.

"For the balancing system it is even more complicated, because the definition itself of ancillary service is different in every country also because of the different generation mix, and transmission system operators will have to stipulate TSO-to-TSO agreements in order to get to a univocal definition and share balancing resources."

Asked whether the Italian power market will move away from

the single national price — PUN — in order to facilitate the market coupling of regions as suggested by the national energy strategy currently under consultation until November 30, he said that “abandoning the PUN could mean two things, either moving away completely from it towards a system where consumers pay for electricity at the zonal price instead of at the national average, which I think was the intent of the energy strategy, or to keep the PUN but change the way it is calculated.”

Ricci added that the PUN is currently calculated together with zonal prices.

He said however that this system could make it difficult for the market coupling software to work, and that another option would be to calculate the PUN after zonal prices.

“Clearly some discrepancies between the Italian system and the rest of Europe persist,” he said, adding that moving away from the PUN system is under consideration but may not be necessary.

He said that in any case market coupling will happen between the northern Italy zone and the rest of Europe, and not with the Italian market as a whole.

### **GME to support South Europe gas hub**

GME also recently put under consultation the launch of a forward regulated gas trading platform that would complement the existing gas spot trading platform.

Ricci said such platform was needed because “looking at the gas market in the last two years, the system moved from being short to being long, and that led to an increase in trading activities.”

“Before, operators were concerned with closing their positions in a short market, while now they can leave their position open knowing that there’s a balancing market that has liquidity,” he said.

Ricci said the objective is now to “create a platform that allows such a long system to be reflected in the forward market as well.”

“A trading platform with standard products and a centralized clearing service allows operators to have a clear and transparent price signal and to compare offers easily,” he added.

He said a developed gas exchange with a transparent price signal would also play a major role in Italy’s plans to become the south European gas hub, as envisaged in the energy strategy.

“GME’s role is to support the hub and to provide a platform where operators, once the gas comes into the system, can trade it on an international level on the basis of a clear price signal,” he said.

He added that the exchange would play a role in promoting the participation of international operators in the market. —

*Beatrice Bedeschi*