

GME'S NEWSLETTER – New issue now on line

Rome, 9 February 2010 – The new issue of the Newsletter of Gestore dei Mercati Energetici (GME) is now downloadable from www.mercatoelettrico.org

The newsletter opens with a contribution by Guido Cervigni and Clara Poletti (Bocconi University) about the future of regional initiatives for integration of national electricity markets after the Third Package of legislative measures approved by the European Union.

In their analysis, Cervigni and Poletti recall that *an extensive and structured process of integration of national markets began in February 2006, when the European Regulators' Group for Electricity and Gas (EREG) launched the so-called Electricity Regional Initiatives (ERIs)*. Cervigni and Poletti point out that *some initiatives of harmonisation of electricity markets have already materialised and that other initiatives are being discussed. Just think of the coupling of the wholesale markets of Belgium, France and the Netherlands (BELPEX), which has long sought further expansion towards Germany*.

As to Italy, procedures for joint allocation of cross-border capacity with neighbouring countries have become well established and a market coupling agreement is being defined with Slovenia. This agreement will involve the power exchanges, TSOs, regulators and ministries of both countries.

However, the two experts stress that, although progress has been made, Regional Initiatives have showed their limitations over time. These limitations are to be ascribed, first of all, to their voluntary nature, which practically assigns a right of veto to each country, and to coordination issues.

A first response to these issues was given by the Project Coordination Group (PCG). To a certain extent, this is the first attempt to shift from what we may call a "bottom-up" approach to the harmonisation of regional models to a "top-down" approach to the setting of rules to be subsequently applied at peripheral level. Cervigni and Poletti emphasise that it will be necessary to determine whether and to what extent national electricity markets may be integrated in a decentralised way through coordination between the market operators of the different countries, or whether this integration requires some centralised mechanism. In this context - conclude Cervigni and Poletti – a centralised approach might raise issues of compatibility with the legislative framework of countries (e.g. Italy and Spain) where the national legislation vests the market operators with the task of organising and managing the domestic electricity market.

As has become customary, GME's new publication reports the **summary data of the electricity market for the month of January:**

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The first month of 2010 gave clear signals of reversal of a trend that has appeared since the end of 2008. The year-on-year change in the volumes of electricity traded in the “Sistema Italia” was up again, albeit by 1.4% only.

The average purchasing price (“Prezzo Unico Nazionale”, National Single Price – PUN) recorded, again, a substantial decrease on a year-on-year basis (-19.99 €/MWh; -24.0%), the thirteenth in a row, reaching 63.45 €/MWh, a level close to the one of January 2005. In particular, in peak-load hours, the PUN had an all-time low (84.82 €/MWh) for the month of January, as it has never dropped below 100 €/MWh since the take-off of the market. The liquidity of the power exchange was equal to 64.1%.

The new issue also comes with the usual technical commentaries on European and national power exchanges and environmental markets.

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