

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

Rome, 15 July 2010 – The new issue of the newsletter of Gestore dei Mercati Energetici (GME) is now downloadable from [www.mercatoelettrico.org](http://www.mercatoelettrico.org)

The newsletter opens with a contribution by Jean-Michel Glachant, Director of the Florence School of Regulation, on the “Implementation of the EU electricity internal market through market coupling”.

*“For about 15 years – reports Glachant - EU 15 was made of national markets open to each other through rules of access to the grids while organized market pricing was kept national. The main exception was in the Nordic countries (Sweden, Finland and Denmark plus Norway – not a member of the EU). In this region the coupling of national markets is obtained through a single Power Exchange being a common subsidiary of the Nordic transmission system operators (TSOs)”. Subsequently, the Netherlands, Belgium and France “did create a less centralised single pricing mechanism by coupling their three national PXs with a common pricing algorithm coordinating the price formation among the three national exchanges. The empirical success of this new model has validated it as an EU model for other regional markets”.*

Therefore, in the opinion of Glachant *“after 15 years of organised wholesale markets being mainly conceived and managed at the national level, the EU is on the verge of achieving the first very continental common market platform through the coupling of day-ahead markets. And it “is very likely to embark for a general price coupling model”.*

However, several further questions still remain open: *“How to successfully bridge several regional markets all over EU 15? How to integrate more and more PXs having different regulatory frames? A centralised approach (known as CMU - Central Matching Unit) is advocating creating a single pan-European trading entity by a mandatory clustering of all existing PXs plus a clubbing of all TSOs and the extensive harmonisation of all existing national regulatory frames. An alternative approach to*



*coupling” - emphasises Glachant - “is the one known as PCR (Price Coupling of Regions). It allows building a common pricing mechanism coordinating the existing PXs while keeping a decentralised frame permitting grid access and trading to keep a national flavour when requested by particular local preferences.*

For Italy, this “decentralised” model of price coupling – concludes Glachant – *“is also the easiest way to contribute to the coming day-ahead EU achievement while keeping many key features of its existing wholesale market”.*

The new issue also comes with: the usual technical commentaries on national and European power exchanges and environmental markets; the section dedicated to Italian gas market trends; and the section with insights into the trends of the main European commodity markets. As has become customary, GME’s new publication also reports the **summary data of the electricity market for the month of June** and a contribution by Donatella Bobbio and Claudia Checchi (from REF - Ricerche per l’economia e la finanza) focused on the sustainability of biofuels and bioliquids. Indeed, the European Commission defined a number of binding criteria so that biofuels and bioliquids may count towards the achievement of the targets set in the EU’s Renewable Energy Directive, i.e. the contribution to abatement of greenhouse gas emissions, biodiversity protection and carbon stock conservation. However, Bobbio and Checchi argue that *the application of stringent criteria might at the same time slow down or block the achievement of EU’s targets by 2020, especially in the transport sector, owing to the burdensomeness of the mechanism for demonstrating and verifying compliance with the criteria.* As regards Italy, the analysts from REF stress that, *apart from the idea of extending the monitoring & control systems already implemented at national level for other purposes, our country has not yet formulated an incisive policy aimed at promoting the use of solid biomass, especially of non-EU origin, as part of the sustainability scheme.* Finally, the introduction at EU level of different rules for biofuels and bioliquids, on one hand, and for solid and gaseous



biomass, on the other hand - conclude Bobbio and Cecchi - *seems to encourage, above all, products (like solid biomass) that are mostly of EU origin, to the detriment of other products (like biofuels) that are often imported from non-EU countries*".

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