

NEWSLETTER OF GME – The new issue has been published

Rome, 15 June 2016 – The new newsletter of Gestore dei Mercati Energetici (Gme) is online and can be downloaded from the website www.mercatoelettrico.org.

The newsletter starts with the speech by Mr. Gian Paolo Repetto of RIE on the importance of interconnections to a better operation of the European gas market.

"Especially since the 'Third Energy Package' of 2009, in the vision of the Community institutions – Mr. Repetto emphasizes - the interconnections between the energy infrastructure of the European Union and the harmonization of rules that govern the management have become central to the achievement of the goal of an integrated internal, liquid and safe electricity market". Overall, however, the expert of RIE adds, *"over the last twenty years, more than 65 billion euro have been invested for the increase in pipeline capacity, storage and LNG terminals, thus increasing the import capacity by about 40% and storage by 50%",* but, in the meantime, *"demand has tended to increase up to 2010 (527 md mc) before falling dramatically."* For this reason, import infrastructure, for the most part designed and manufactured in respect of the long-term take or pay contracts, which has long challenged by the EU and now widely reviewed in their structure than in the past, are *"largely untapped and presumably also able to support the needs of future imports"*, Mr. Repetto stresses, according to which, therefore, the critical aspect of the European system *"is not the need of further increase of the overall input capacity",* but in the *"coordination of existing and planned (or potential) internal axes and import lines, to overcome the technical and commercial 'bottlenecks' restricting the connection between inner areas and the possibility of gas flow on the networks so as bi-directional as possible."* In fact, such a network *"in a market and in a framework that, while still recognizing an important role in long-term contracts, gradually seem to move in the short term - the analyst of RIE says - mitigates risks and increases the safety of the industry, thus enabling the system, within limits of technical feasibility and cost, to target gas volumes where these are used more, even responding to security and continuity needs created by economic situations. This also presumably would favor further*



alignment of prices between the current market areas or those that will be formed according to the evolution of the business model of the European gas. But it is required not only use the enormous resources already committed in the system in the past, but also provide informed guidance for those new not to unnecessarily increase the Regulatory Assets Base."

In this context, the implementation of these interventions can only be related to two major strands of policy, Mr. Repetto concludes, namely "*the assignment of a certain natural gas role in the energy transition*" and "*overshoot of the interest of the individual States and the development of regional cooperation and solidarity principles*" that should lead, among other things, "to agreements on sharing schemes related to infrastructure costs among the Countries that make use of the relevant benefits as well as a coordination of storage availability between Member States, with cross-border access rules and the use of reserves in an emergency".

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

GME's new issue also reports, as customary, the summary data of the electricity market for the month of May 2016.

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