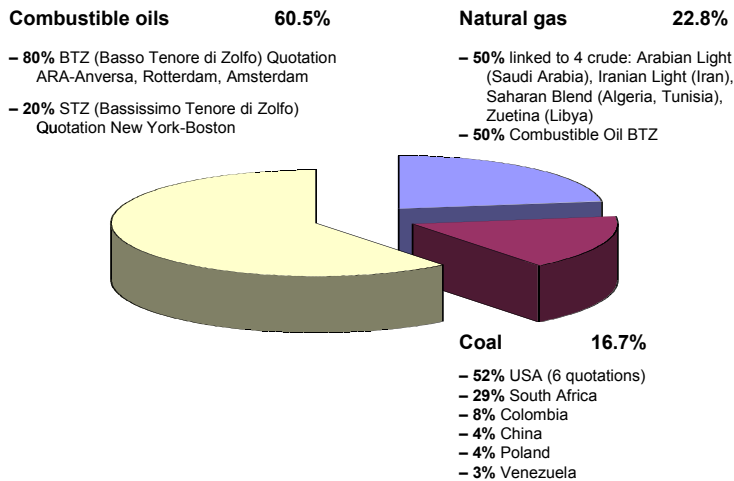


The Italian Electricity Market Outlook

Opportunities from liberalisation, market growth and energy trading

The Basket of Fuels introduced by AEEG Deliberation 70/97



Source: The Italian Electricity Market Outlook

The answers to your questions...

- How will power generation and demand change in Italy and what opportunities will this create?
- What affect will will unification of the Italian grid system have on competition?
- Which renewable fuels show the most potential for growth in Italy and what incentives to they attract?
- How will green certificates and introduction of the new Italian power exchange affect profits?

Target new profit opportunities arising from liberalisation and trading in the Italian power market using this report's comprehensive analysis of the changing competitive landscape in Italy...

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Examining the key issues

Eligible customers by subject type

Subject type	Total number
Final eligible customers	143,061
Eligible distributors	53
Traders	257
Consortiums	390
Producers	32
Foreign customers	1

Source: The Italian Electricity Market Outlook

"The lowering of the threshold generated a potential increase of the Free Market from 40% of the whole Italian market to 60%. The potential eligible customers are now 150,000 compared with the 13,000 of previously. Of course, the new potentially eligible customers had the right to choose to remain captive..."

Source: **The Italian Electricity Market Outlook: Opportunities from liberalisation, market growth and energy trading**

- **Italian regulatory conditions.** Understand the impact of the recent Bersani, Marzano and Letra decrees, the role the GRTN plays in managing the green certificate market and the obligations for those importing electricity.
- **The International Power Exchange (IPEX).** The Italian Government recently introduced six power trading markets. Compare Italian prices to those of other major European power exchanges and estimate their revenue potential. How will congestion in the Italian grid affect these markets?
- **Undercapacity.** Declining production levels and slow but steadily rising demand is creating undercapacity in the the Italian market. Italy is already heavily dependent on imported French and Swiss electricity, how will the market meet future demand?
- **Market dynamics.** How has demand changed recently in the Italian market and how will key trends affect demand levels?

The Italian Electricity Market Outlook

Opportunities from liberalisation, market growth and energy trading

Transmission grid ownership

Group	380-220kV	%	120-150kV	%
Enel	20,248	89.3	17,427	85.4
Other generator	1,447	6.4	1,243	6.1
Municipality	968	4.3	1,306	6.4
Railtrack	11	0	425	2.1
Total	22,674	100	20,401	100

Source: The Italian Electricity Market Outlook

"The Italian Government is considering merging Terna and GRTN through a complex deal that will result in GRTN being reintegrated by Enel and then spun off again, together with Terna..."

Source: The Italian Electricity Market Outlook: Opportunities from liberalisation, market growth and energy trading

Italy represents one of Europe's most attractive energy markets where demand continues to rise ahead of the European average and undercapacity has driven prices higher than those seen in other major European countries.

The Italian power market is undergoing a radical transformation. The Italian authorities are implementing a liberalisation process that will soon see power station capacity double and a new power exchange (IPEX) in place. **The Italian Electricity Market Outlook: Opportunities from liberalisation, market growth and energy trading** is a management report published in association with McCloskey that provides a **comprehensive detailed analysis of the Italian power market including infrastructure, regulatory change, pricing tariffs, trading and future supply, demand and pricing forecasts to 2015.**

Identify and exploit the profit opportunities resulting from the expansion and liberalisation of one of Europe's most potentially profitable Energy markets.

The value proposition

Projected Installed Capacity Share in 2010

Company	Capacity share (GW)
Enel	40.5
Eurogen/EdiPower	7
Edison	11.2
Municipalities	5.3
Tirreno Power Torino	2.6
EniPower	4.5
Others	13.1

Source: The Italian Electricity Market Outlook

"10,000 MW of new power plants will start operation in the Italian market by 2010. The forecast assumes that Edison will increase its installed generation capacity according to its development plans (new projects of 4.0 GW). Other increases are attributable to small producers and investors who will assume a share of almost 15% of the market..."

Source: The Italian Electricity Market Outlook: Opportunities from liberalisation, market growth and energy trading

- **Assess the Italian competitive landscape** by supplier, end user, generating capacity, and key players merger and acquisition strategies.
- **Forecast future Italian electricity import demand** based upon demand growth rates, transmission capacity, contract tenures and future interconnection projects divided by company and country.
- **Identify profit opportunities within Italian renewable energy** resulting from local and European Union incentives, green certificates and ratification of the Kyoto protocol.
- **Predict future Italian power supplies** based upon a timetable for fuel conversions of existing plants and capacity by fuel type and forecasts to 2010.
- **Understand the affects of Italian tariff reform** and how tariffs are applied by time of day, date, transportation, customer and consumption levels.

Sample information from the report

Chapter 3: Green Certificates

Expected demand for Green Certificates and relative economic value

Until April 2005 the value of Green Certificates will be established by the GRTN, which may also issue uncovered Green Certificates (with no counter-value of renewable energy production) in order to prevent potential system malfunctions in the initial phase of the market caused by considerable demand and insufficient offer of Green Certificates. Thereafter, the GRTN will have to cover this issue, purchasing Green Certificates on the market at the price determined by the intersection of demand and offer. Therefore, within the first phase, the Green Certificates' offer price will, at their highest, be equal to the value of those issued by the GRTN.

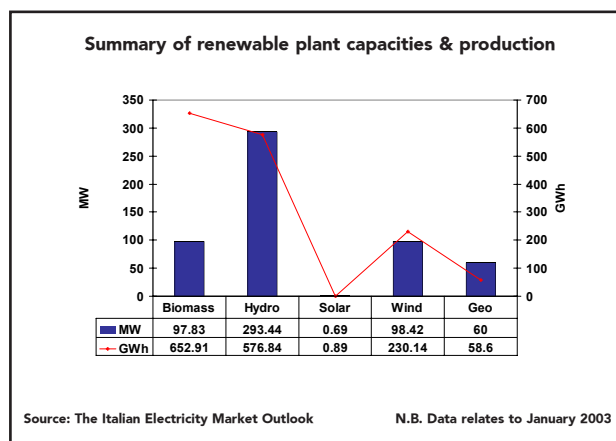
As the average purchase price of renewable energy in 2002, according to the GRTN's trade, has been 13.376 euro-cents/KWh, the average sale price of the same energy on the market through auction has been 4.958 euro-cents/KWh. The sale price of the Green Certificates held by the GRTN was fixed to 8.418 euro-cents/KWh. The GRTN explained that the demand for GCs is equal to 3.3bn KWh, while the offer amounts to 5.5bn KWh, of which 1.2 is provided by private producers with IAFR (plants fuelled by renewable energies) qualified plants and 4.3bn KWh.

The price fixed by the GRTN represents a price cap, and if the GCs available on the market through the production of renewable energy are not sufficient to cover demand, the GRTN has to issue GCs at the price fixed. For this reason, a private producer should offer them at a lower price to be sure of selling its own GCs. Normally, the private producer stipulates a long-term bilateral contract and the lower price is also justified by the securitisation that the long-term contract provides for financing, and other internal issues.

Green certificates can be bought or sold in two ways:

- **Private negotiation** - mainly by stipulating bilateral contracts between two or more parties. These contracts can be related solely to the GC, or include energy as well
- **Power exchange (GME)** - established as the operator to run the platform of the GC market.

GRTN provides software for operators so they can check the amount of GCs they have in their own account at any time, and all the transaction made so far. The subjects who can participate in the market as buyers or vendors are all national producers, importers, traders and associations. The GRTN is allowed to participate only as a vendor. The system is based on the merit order sorting mechanism for price, which decreases for the purchase and increases for the sale offers. The transactions are on a continuous basis.



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