

PRESS RELEASE

Electricity: new mechanism to reduce dispatching costs launched

The new 2022-2024 regulation provides an incentive for network operators to find the most efficient solutions

Milan, 27 December 2021 - The new mechanism to incentivise network operators to do everything they can to reduce overall dispatching costs¹ (i.e. all the actions needed to keep supply and demand for electricity on the grid in balance), by making the best use of available resources and expanding the range of parties and mechanisms able to provide services to the system (e.g. renewables and storage), has been launched. Following Consultation 325/2021/R/eel, Resolution 597/2021/R/eel will assess the 2022-2024 performance and structural investments in the system capable of producing long-term effects, even after the end of the incentive period. In this way, customers will see lower costs in their bills both if performance improves - in fact, with the three-year overall reduction in dispatching costs, Terna will reap part of the benefits for the community - and if it deteriorates, when the grid operator will have to bear part of the higher dispatching costs compared to the benchmark year.

This output-based mechanism consists of the difference between the cost of dispatching of one year and that of the previous year taken as a benchmark (as updated to exclude the effects of interventions not dependent on Terna or resulting from exogenous variables such as commodity prices). Performance is assessed by taking into account the overall costs of the MSD (Mercato Servizi Dispacciamento - Dispatching Services Market) for the procurement of dispatching resources, the lack of wind production, and the essentiality regime.

Resolution 597/2021/R/eel is published on the website www.arera.it.

¹ 'Dispatching' is the management of electricity flows on the grid to keep supply and demand in balance, i.e. the energy fed in and the energy required by all consumers (households and companies), thus guaranteeing the continuity and security of service provision.