

TECHNICAL SHEET

PRIORITY ACTIONS IN THE FIELD OF VALORISATION OF ACTUAL IMBALANCES WITHIN ELECTRICITY DISPATCHING 444/2016 / R / EEL (*)

With Resolution 444/2016/R/EEL the Italian Regulatory Authority for Electricity Gas and Water introduces a new regime to valorise the actual imbalances within the dispatching service with gradual application as of 1st August, 2016 in order to provide an adequate incentive to proper planning of the quantities of input and delivery electricity, amending Annex A of resolution 111/06.

The measure, pending a thorough and complete reform of the dispatching service and on the basis of the consultation (316/2016/R/EEL), introduces mechanisms aimed at providing a more effective incentive to plan with diligence, skill, prudence and foresight, and, simultaneously, enabling the Authority to systemically detect possible violations of this obligation (also in order to adopt prescriptive and/or disciplinary measures).

In particular, the resolution aimed at enhancing these imbalances includes:

- ✓ non entitled consumption and production units other than those fed by renewable sources switching to a mixed *single-dual price* valorisation that includes:
 - a standard band of $\pm 15\%$ of the amended and corrected binding program (overall standard bandwidth of 30%) for the period of initial implementation (1st August 2016 to 31st December 2016); as of 1st January 2017, the band will be reduced to $\pm 7.5\%$ (overall standard bandwidth of 15%);
 - the application, within the band, of the same valorisation in force today with a price independent from the imbalance direction of the single unit (so-called *single price*);
 - the application, outside the band, of the zonal price of the day-ahead market in the case of unbalance discordant with the performance of the macro-zone, and the average price of the offers accepted in the balancing market to level the system in the case of concordant unbalance (so-called *dual price*);
 - the introduction, for sole units of consumption, of final balance checks as a useful market operation monitoring tool, providing automatic alerts by Terna to the Authority of subjects that showed aggregate monthly imbalances of considerable

magnitude, above a 30% threshold of tolerance (equal to twice the standard overall bandwidth that will be in place from January 2017); final balance checks will be carried out in SEM1 and SEM2 adjustment sessions starting with that of November 2017 for the first half 2017; for 2016 monitoring already carried out by the Authority pursuant to TIMM (Integrated Text Monitoring Markets - Resolution ARG/elt 115/08) will be reinforced;

- ✓ for significant production units fed by non-programmable renewable sources of continuing on the current regulation with the possibility of opting for valorisation at the *single price* for the entire unbalanced volume, or joining the alternative scheme provided for by Resolution 522/2014/R/eel, based on bands, differentiated by source, within which the imbalance is valued at the price of the day-ahead market with the application of an equalising component that takes into account the overall imbalance of all units that have formed part of this programme, and outside of which the imbalance is valued at the single price;
- ✓ for small production units fed by non-programmable renewable sources:
 - in the period of initial implementation (1st August to 31st December 2016) maintaining the legislation currently in force (see above), also strengthening the monitoring of operator conduct for these dispatch points with regards to principles of diligence, expertise, prudence and foresight;
 - as of 1st January 2017,- the choice between:
 - a *single dual-pricing* mechanism based on the same standards applied band to consumption units ($\pm 7.5\%$);
 - the equalisation regime specified in Resolution 522/2014/R/EEL with a band of $\pm 8\%$ (identical to what is already provided today for these units), in which the imbalance is valued at the price of the day-ahead market with the application of an equalising component that takes into account the overall imbalance of all units that have formed part of the scheme, and outside of which the imbalance is valued according to dual prices;

With regard to the valorisation of secondary reserve resources in the calculation of imbalances in the resolution, it is determined, since first implementation in August 2016, to eliminate the value of the activation of the secondary resource from the imbalance price, proceeding to exclude bids accepted for secondary regulation from the calculation of the imbalance prices because such a service is activated automatically in real time with faster dynamics regarding the relevant periods for the valorisation of the actual imbalances; it is expected that such exclusion may be accompanied by a Terna update of the consideration for the failure to comply with the dispatching orders to prevent dispatching users from benefitting from the failure of supply of the secondary control service for which they were selected.

(*)This sheet is for disclosure purposes only; it is not a measure.