

Energy Traders Europe response to Terna updated MACSE proposal

We reiterate our concerns regarding the risks of the proposed "*Meccanismo di Approvvigionamento di Capacità di Stoccaggio Elettrico – MACSE*" of hindering the market-based deployment of electricity storage, altering the regular functioning of the wholesale electricity market and preventing free formation of prices.

In order to limit such risks, we encourage Terna, Ministry and Regulator to:

- **Introduce negative prices on the Ancillary Services Market (MSD)** and adapt price limits as foreseen by ACER Decision 03/2022
- **Introduce market-based remuneration for Frequency Containment Reserve (FCR)** starting from 1 January 2025 with the Italian market reform (TIDE) go-live
- **Calibrate volumes to be tendered through the MACSE** - Volumes tendered should be redefined on a rolling basis taking into account the development of RES and merchant storage. An early or excessive procurement of storage compared to its actual need would result in stranded costs for consumers as storage would be substantially underutilized with costs exceeding the benefits
- **Establish the volumes to be tendered following the principle of cost-benefits optimisation** – We flag that the optimal point does not necessarily coincide with 0% of RES overgeneration as the curtailed generation for safety reasons cannot be above a certain threshold - which is set by default at 5% of total RES generation - as foreseen by EU Regulation 943/2019
- **Ensure technology neutrality across the auction procedures** - The auction design should avoid any discrimination between different storage technologies. The two reference technologies identified by Terna (BESS and PHS) have extremely different characteristics in terms of technical parameters, construction times, useful lives, cost structures and in terms of dynamic evolution of construction costs over time.
- **Ensure a level playing field between MACSE versus merchant offers on the Ancillary Services Market (MSD)** – The offers accepted from contracted storage capacity through the MACSE should not displace in the merit order other offers from assets not under the mechanism. In particular, the percentage of contribution margin subject to reimbursement by the market participant to Terna must not in any way affect the merit order of the resources on Ancillary Services Market (MSD)

- **Submit the “Documento Fabbisogni” to a public consultation and third party evaluation** - To date, no methodological document has yet been published indicating the criteria with which Terna will estimate the storage needs. We encourage Terna to submit such document for public consultation, following a verification by a third party
- **Disclose further information on time shifting products** - We encourage Terna to coordinate with GME for the timely publication of the consultation relating to the definition and allocation of time shifting products

In general, the improvement of the Italian electricity market design should be prioritised as to create the right incentives for the development of storage, while enabling Terna to maintain its role as a neutral facilitator. Therefore, the MACSE should have a limited scope alongside the market-based development of storage capacity.

Contact

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