CONSULTATION RESPONSE

Energy Traders Europe response to ARERA consultation on PUN replacement

Brussels, 01 July 2024

Equalisation component

Q1 Do you agree with the Authority's assessments regarding the application of the equalization component on purchases on the day-ahead market?

We agree with ARERA's proposal to temporarily apply the equalization component on purchases on the day-ahead market (option 1) in order to ensure a smooth transitory process towards the full phase out of the PUN.

Guaranteeing regulatory continuity in aspects such as the economic settlement among the parties (i.e. GME, Terna, BRP and BSP) and the methodology to compute compensation makes the option 1 the most preferred between the two alternatives presented. This is particularly the case given the transitory nature of the application of this mechanism: the equalization component should be applied during the year 2025 before reaching the final phase out of the PUN in the following years.

On the other hand, the second option (i.e. application of the equalization component on the total purchased energy) entails great effort and regulatory adjustments for its implementation, while its expected advantages are not clearly described within the document nor evidently foreseeable. Thus, the application of such a complicated mechanism is not desirable at all, even more so given the temporary nature of the equalization scheme.

Finally, we highlight that the current lack of clarity for market participants on the post-equalization-component framework (which may come as early as 1 Jan 2026) will generate significant uncertainties for market parties active in the forward market (cal26 and beyond) and the PPA space.

In order to avoid negative consequences such as lack of liquidity for contracts with delivery in 2026 and beyond and lack of appetite for PPAs, it is essential that ARERA, Terna, and GME open discussions on this as soon as possible.

Q2 Do you share the intention not to provide side payments in the case of a compensatory component applied to purchases on the day-ahead market?

We share ARERA's proposal to not introduce a mechanism of side payments.

Allocation of long-term transmission capacity rights between market zones

Q3 Do you agree with the Authority's assessments?

We agree with ARERA proposal to maintain the same approach for the "coperture del costo di congestione" (CCC) – assigned through auctions and based on the difference between the zonal price and the future PUN Index. In detail, we agree to maintain this instrument available only for hedging production assets, since, as long as the equalization mechanism is in place, consumptions are still exposed to PUN index.

Finally, we also urge ARERA and Terna to urgently initiate discussions with relevant stakeholders on how the CCT will function once the PUN has been fully phased out.

Load profiling adjustment and the adjustment relating to conventional profiling for public lighting

Q4 Do you agree with the Authority's assessments regarding the load profiling adjustment and the adjustment for conventional profiling relating to public lighting?

Coherently with our response in question 1, we agree with ARERA's proposal to temporarily utilise the PUN index GME in substitution of the actual PUN for the load profiling adjustment.

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Infrastructure regulation

Q9 Do you agree with the Authority's assessments regarding the use of the PUN Index GME in the context of the above-mentioned aspects relating to the two-year prescription, the valorisation of energy in special regimes and on non-interconnected islands and the tariff regulation of infrastructures?

Coherently with our response in question 1, we agree with ARERA's proposal to temporarily adopt the PUN index GME in substitution of the actual PUN.

Phase out of the equalization mechanism

Q10 What could be further preliminary elements to consider for the purposes of overcoming the equalization mechanism?

We point out the importance of sharing further details as soon as possible in order to ensure the continuity and functioning of the Italian electricity market.

Given the great impact expected from the modifications in the regulatory framework, a reasonable amount of time to implement the changes should be given to market participants.

We await future consultations to be published in the upcoming months for expressing further observations with respect to the two proposed options.

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