Contribution ID: 9f0e4a97-dc42-40d8-9484-e71c4d061298
Date: 23/10/2020 17:34:35

Public consultation on the ACER study on efficient price formation and easy market entry and participation for new players and smaller actors in electricity markets

Fields marked with * are mandatory.

The objective of this consultation is to gather views and information from stakeholders regarding the on-going ACER study on efficient price formation and easy market entry and participation for new players and smaller actors in electricity markets, developed in accordance with Article 15 of Regulation (EU) 2019/942 [1]. The input from the consultation will inform the process of identifying barriers, indicators to monitor such barriers and relevant combinations of those indicators.

We invite all interested stakeholders to answer this public consultation **by 25 October 2020 23:59 hrs (CET).**

[1] Regulation (EU) 2019/942 of the European Parliament and of the Council of 5 June 2019 establishing a European Union Agency for the Cooperation of Energy Regulators - OJ L 158, 14.6.2019, p. 22–53.

As the survey is long,
1. you have the possibility to edit your answer after submission. When clicking on "submit", you will be given a contribution ID, which you can then use to access your contribution here. This allows you to proceed in steps.
2. we kindly suggest that you download questions as .pdf (link on the right), prepare your answers then upload them at once, to avoid a session timeout on submission. Thank you for your kind understanding.

The maximum length of each answer is 5000 characters. This is the maximum technical limit set by the EUsurvey tool, which cannot be increased.

General terms of the consultation

* Name of the respondent

Riccardo Frigerio

* Email

riccardo.frigerio@elettricitafutura.it

* Company

Elettricità Futura

* Country of origin (headquarters)

Italy

* Countries where your company is active

Italy

* Activity

Other market participant

Please specify

Italian Association of electricity generators, DSOs, suppliers, traders and service providers

* Should the following answers to this public consultation be treated as confidential?

- ( ) Yes
- (•) No

The Agency will publish all non-confidential responses, and it will process personal data of the respondents in accordance with Regulation (EC) No 45/2001 of the European Parliament and of the Council of 18 December 2000 on the protection of individuals with regard to the processing of personal data by the Community institutions and bodies and on the free movement of such data, taking into account that this processing is necessary for performing the Agency's consultation task. For more details on how the contributions and the personal data of the respondents will be dealt with, please see the Agency's Guidance Note on Consultations and the privacy statement referred to this consultation.

Context

ACER monitors the status of the internal markets for electricity in its annual Market Monitoring Report. Since the entry into force of the "Clean Energy Package"[1], ACER must monitor among other aspects (1)

barriers to efficient price formation and (2) barriers to easy market entry and participation for new players and smaller actors.

As part of an external study, ACER is developing a methodology for evaluating the performance of the EU Member States on those two aspects.

Objectives

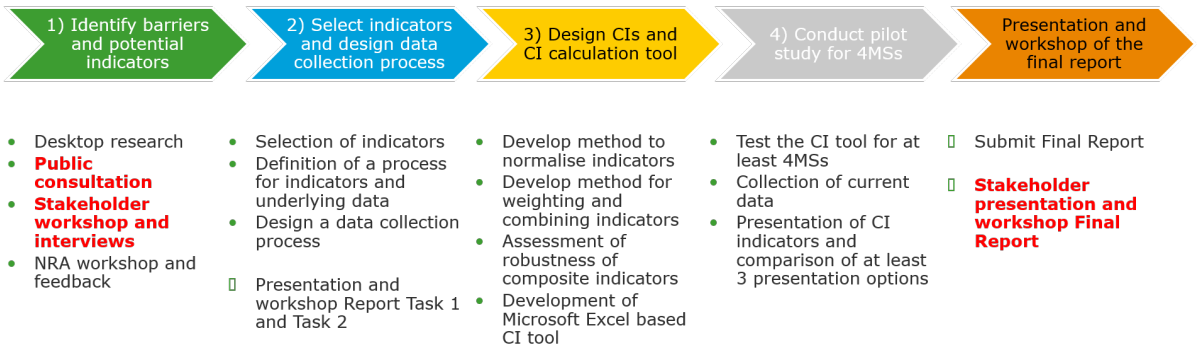
The study aims to:

1. Identify (1) barriers to efficient price formation and (2) barriers to easy market entry and participation for new players and smaller actors,
2. Identify, select and define key qualitative and quantitative indicators to measure (1) and (2),
3. Identify the underlying data and the data sources as well as propose a data collection process to calculate the selected indicators,
4. Provide a methodology to combine the selected indicators and create two Composite Indicators for (1) and (2) with a view to evaluate the performance of the Member States.

The methodologies and indicators recommended by the study will be progressively applied in upcoming editions of the Market Monitoring Report.

Methodological approach

The Study will follow the steps detailed in the following figure.



The study will be completed by February 2021.

[1] Article 15 of Regulation (EU) 2019/942 of the European Parliament and of the Council of 5 June 2019 establishing a European Union Agency for the Cooperation of Energy Regulators, OJL 158, 14.6.2019, p. 22–53

Scope

The study will cover electricity markets in all timeframes, from longer term to balancing, including imbalance settlement. The focus of the study is on the delivery of electricity (i.e. MWh), rather than on the delivery of capacity (MW). The study will cover all EU member states.

More context is available here.

Definitions

In this section you are invited to provide your definition of the main concepts underpinning the study.

Please provide a definition of what you consider as “barrier to market entry and participation” in electricity markets. The definition should be generic. You will be invited to provide specific examples in the subsequent sections.

> The presence of technical requirements (such as minimal load power plants), legal and regulatory frameworks which introduce distortion in market dynamics and/or burdensome financial requirements (such as too expensive guarantees) represent examples of barriers to participation in electricity markets, including both energy and ancillary services markets (ASM).

Please define : Efficient price formation of electricity (MWh) products.

> Efficient price formation in electricity markets indicates a situation in which demand and supply are free to match in all market segments thus allowing prices to reflect actual market conditions (supply costs and demand’s willingness to pay), including during scarcity situations.
>
> At the same time, it is also true that European energy mix is increasingly composed by intermittent power generation and that the more pollutant plants must be (in the coming years) closed or reconverted. This framework highlights the necessity to accompany this transition with investments in peak generation units, storage solutions and demand-side management. Thus requiring the need for long term price signals.
>
> Therefore, prices in the electricity market should reflect the value of energy not only in real time but also the expectations in the different timeframes (intraday, day-ahead and forward).

which aspects, among those included in your definition above may specifically prevent prices from reflecting actual scarcity? You may cover additional aspects that may be relevant for price formation at times of scarcity.

Any forms of undue restriction to the free pricing, such as too restrictive price caps or bidding limits, can prevent prices from reflecting a potential scarcity situation. Moreover, it should be considered that public /regulatory interventions related to market surveillance and competition policies may block prices from reaching sufficiently high levels. As the academic literature related to power system economics highlights, such interventions can be affected by the difficulty faced by regulatory or antitrust authorities in distinguishing situations where prices are high because of scarcity from circumstances where high prices are due to the exercise of market power.

Barriers to efficient price formation

In this section, we invite you to identify barriers to efficient price formation, either from the list below or outside this list. Once you have provided relevant information in relation to a barrier, you may proceed with another barrier, or to the next section.
You can provide information in relation to up to 15 barriers.

Scope

The focus of price formation is on the delivery of electricity products (i.e. MWh), rather than on the delivery of capacity products (MW).
These barriers cover all timeframes of the electricity markets, i.e. from the long-term (forward markets) to the closest-to-real-time timeframes (balancing markets, including imbalance settlement).

The list of suggested barriers is the following:

- Barrier 1: Presence of price caps, bidding limits and/or price regulation in any market timeframe
- Barrier 2: Restrictions to the amount of capacity available for cross-zonal trade
- Barrier 3: Poorly designed or discriminatory network tariffs
- Barrier 4: Barriers to formation of balancing energy prices and/or related to the imbalance settlement mechanism
- Barrier 5: Restrictions to entry, exit and/or participation in electricity markets for specific market players or assets
- Barrier 6: Inefficient design of bidding zones
- Barrier 7: Existence of capacity mechanisms
- Barrier 8: Existence of RES support schemes
- Barrier 9: Lack of or wrong locational signals in the transmission and/or distribution tariffs
- Barrier 10: Limited use of dynamic prices in retail/end user contracts
- Barrier 11: Insufficient level of liquidity in any market timeframe
- Any other barrier

Barrier 1: Presence of price caps, bidding limits* and/or price regulation in any market timeframe

*Article 10 of the recast Electricity Regulation.

Please describe the barrier or complement the description of the heading

This barrier describes the presence of limitation to the bid price that market participants can submit to market and constraints on price formation as provided by the market design.

Please rate the importance of this barrier

- (●) High
- ( ) Medium
- ( ) Low

Does this barrier specifically prevent prices from reflecting actual scarcity?

- (●) Yes
- ( ) No

Please provide one or more real examples. Please specify to the possible extent the following: i) Member State/s where the barrier takes place, ii) some indicators to measure the barrier, iii) Type of market participants that may be specifically impacted by such a barrier.
Please specify, in addition, the geographical scope of relevance of the barrier: Whether it is a barrier witnessed in a given country or some countries, a pan-European barrier, or a barrier specific to some countries with pan-European implications.

Currently, the Italian ancillary services markets (ASM) do not envisage the formation of negative prices. This restriction may be a barrier that disincentivizes the supply of downward ancillary services from RES plants. The existence of negative prices in the ancillary services market would allow to reflect the costs of the provision of downward services by those RES plants which cannot store the electricity that they cannot inject into the network. The removal of bidding floors should go along with a reform of RES support schemes (see Barrier 8) in order to ensure that, in any market timeframe, RESs are not incentivized to bid below their actual marginal costs.

Barrier 2: Restrictions to the amount of capacity available for cross-zonal trade

Please describe the barrier or complement the description of the heading

This barrier indicates the condition in which the energy flows resulting from the economic dispatch, among different bidding zones, are restricted due to the undue limitation of the available cross-zonal capacity (not linked to actual physical congestions).

Please rate the importance of this barrier

- ( ) High
- (●) Medium
- ( ) Low

Does this barrier specifically prevent prices from reflecting actual scarcity?

- ( ) Yes

- (●) No

Please provide one or more real examples. Please specify to the possible extent the following: i) Member State/s where the barrier takes place, ii) some indicators to measure the barrier, iii) Type of market participants that may be specifically impacted by such a barrier.
Please specify, in addition, the geographical scope of relevance of the barrier: Whether it is a barrier witnessed in a given country or some countries, a pan-European barrier, or a barrier specific to some countries with pan-European implications.

> The day-ahead selling prices within the Italian Bidding zones result frequently different: in 2019 only during the 38% of the hours the day-ahead selling prices have been the same for all the bidding zone. Moreover, these frequent divergences in internal bidding zones' prices makes the availability of risk hedging instruments related to price differentials fundamental for a well-functioning market. Therefore, we welcome investments in new cross-zonal capacity, where they are needed, in order to efficiently reduce the cross-zonal congestions.
>
> Another topic that should be considered with regards to this barrier is the too cautelative approach in estimating merchant line NTC contribution.

Barrier 3: Poorly designed or discriminatory network tariffs

Please describe the barrier or complement the description of the heading

Please rate the importance of this barrier

- ( ) High
- ( ) Medium
- (●) Low

Does this barrier specifically prevent prices from reflecting actual scarcity?

- ( ) Yes
- (●) No

Please provide one or more real examples. Please specify to the possible extent the following: i) Member State/s where the barrier takes place, ii) some indicators to measure the barrier, iii) Type of market participants that may be specifically impacted by such a barrier.
Please specify, in addition, the geographical scope of relevance of the barrier: Whether it is a barrier witnessed in a given country or some countries, a pan-European barrier, or a barrier specific to some countries with pan-European implications.

Barrier 4: Barriers to formation of balancing energy prices and/or related to the imbalance settlement mechanism

Please describe the barrier or complement the description of the heading

Inefficient design of balancing markets or imbalance settlement regimes and low transparency in their functioning.

Please rate the importance of this barrier

- ○ High
- ◉ Medium
- ○ Low

Does this barrier specifically prevent prices from reflecting actual scarcity?

- ◉ Yes
- ○ No

Please provide one or more real examples. Please specify to the possible extent the following: i) Member State/s where the barrier takes place, ii) some indicators to measure the barrier, iii) Type of market participants that may be specifically impacted by such a barrier.
Please specify, in addition, the geographical scope of relevance of the barrier: Whether it is a barrier witnessed in a given country or some countries, a pan-European barrier, or a barrier specific to some countries with pan-European implications.

Considering the Italian Ancillary Services Market, we believe that more transparency about the reasons for the selection of balancing resources would guide operators to the supply of the most valuable services for the TSO. With the same objective, a better segmentation of balancing products could also contribute towards a more efficient procurement of balancing resources (e.g. the Italian service of tertiary reserve could be further split in different services with different characteristics in terms of response time).

Regarding RES curtailment, they are not adequately remunerated: these last resort actions should be remunerated, possibly with price signals coherent with the ASM.

When applied, an excessively penalizing imbalance price calculation methodology can be a barrier to an efficient signal of energy value in real time. Price caps and price floors in balancing markets should be avoided in order to allow the free formation of prices. Examples of such a risk can be found in the European platforms for the exchange of balancing energy. Regarding the current imbalance price calculation, we therefore believe that the difference in treatment between eligible and non-eligible units (with the former facing a marginal-based dual price with the latter exposed to a weighted-average single price) should be overcome. A first step could be introducing a weighted-average algorithm instead of the current marginal-price one for eligible resources.

Barrier 5: Restrictions to entry, exit and/or participation in electricity markets for specific market players or assets

Please describe the barrier or complement the description of the heading

Restrictions to participation in the different market segments for specific market players or assets because of, in most cases, the technical requirements imposed on market players.

Please rate the importance of this barrier

- ○ High
- ◉ Medium
- ○ Low

Does this barrier specifically prevent prices from reflecting actual scarcity?

- ◉ Yes
- ○ No

Please provide one or more real examples. Please specify to the possible extent the following: i) Member State/s where the barrier takes place, ii) some indicators to measure the barrier, iii) Type of market participants that may be specifically impacted by such a barrier.
Please specify, in addition, the geographical scope of relevance of the barrier: Whether it is a barrier witnessed in a given country or some countries, a pan-European barrier, or a barrier specific to some countries with pan-European implications.

In Italy the participation in the ancillary services markets (ASM) was allowed exclusively to the generation assets which could guarantee some specific technical performances. Nevertheless, Italy has recently started the gradual opening of the ASM to demand response and NCRES, which have been completely excluded till 2017, through specific pilot projects. The Implementation Plan submitted by the Italian government foresees an organic reform of the dispatching rules, including an extension to the participation into the markets of the non-conventional resources (DSR, NCRES), also in aggregated form. In this perspective, it is however necessary to guarantee an equal treatment between new and existing assets while keeping adequate and specific technical performance standards for the required services.

Furthermore, another example of this barrier pertains to the exit restrictions that are currently in place: there are markets operators that want to phase-out determined generation plants but the path to get this is too long and not always feasible. In fact, in order to close a plant a permit – which require a long time to obtain – is needed, but nonetheless in the meantime that plant has to be available and functioning.

Barrier 6: Inefficient design of bidding zones

Note: A design of bidding zones can be understood as inefficient if it does not meet the Article 14 of the recast Electricity Regulation that states that "Bidding zone borders shall be based on long-term, structural congestions in the transmission network. Bidding zones shall not contain such structural congestions unless they have no impact on neighbouring bidding zones, or, as a temporary exemption, their impact on neighbouring bidding zones is mitigated through the use of remedial actions and those structural congestions do not lead to reductions of cross-zonal trading capacity in accordance with the requirements of Article 16. The configuration of bidding zones in the Union shall be designed in such a way as to maximise economic efficiency and to maximise cross-zonal trading opportunities in accordance with Article 16, while maintaining security of supply."

Please describe the barrier or complement the description of the heading

The inefficiency of bidding zones design in representing the transmission system configuration which relates with the presence of both local and cross-zonal congestions.

Please rate the importance of this barrier

- (●) High
- ( ) Medium
- ( ) Low

Does this barrier specifically prevent prices from reflecting actual scarcity?

- (●) Yes
- ( ) No

Please provide one or more real examples. Please specify to the possible extent the following: i) Member State/s where the barrier takes place, ii) some indicators to measure the barrier, iii) Type of market participants that may be specifically impacted by such a barrier.
Please specify, in addition, the geographical scope of relevance of the barrier: Whether it is a barrier witnessed in a given country or some countries, a pan-European barrier, or a barrier specific to some countries with pan-European implications.

The adequate design of the bidding zones represents an effective instrument of congestion management which contributes to efficient price formation in the electricity markets: in fact, only the correct configuration of the bidding zones allows the emergence of proper price signals. For this reason, Italy undertakes a regular review of its internal bidding zones configuration in order to take into account the evolutions of the market and of the transmission and generations assets with the aim to provide robust market signals related to cross-zonal congestions.

Barrier 7: Existence of capacity mechanisms

Note: This barrier refers to all types of capacity mechanisms described in the chapter 3 of the Staff Working Document accompanying the EC Final Report of the Sector Inquiry on Capacity Mechanisms.

Please describe the barrier or complement the description of the heading

Possible impact of specific features of capacity mechanisms on the price formation in the electricity markets.

Please rate the importance of this barrier

- ○ High
- ○ Medium
- ◉ Low

Does this barrier specifically prevent prices from reflecting actual scarcity?

- ○ Yes
- ◉ No

Please provide one or more real examples. Please specify to the possible extent the following: i) Member State/s where the barrier takes place, ii) some indicators to measure the barrier, iii) Type of market participants that may be specifically impacted by such a barrier.
Please specify, in addition, the geographical scope of relevance of the barrier: Whether it is a barrier witnessed in a given country or some countries, a pan-European barrier, or a barrier specific to some countries with pan-European implications.

Capacity mechanisms (CM) play an important role in achieving generation adequacy in several European countries. Their compatibility with a correct functioning of the energy-only markets has also been confirmed by the European Commission. For instance, the Italian Capacity Mechanism based on reliability options avoid windfall profits for capacity providers and costs for consumers related to the mechanism. Furthermore, the pay back obligation on capacity providers is load following, meaning that it will be calculated ex-post by the TSO on the basis of the actual demand for any given hour, thus reducing distortive effects on the bidding decisions and, ultimately, on the market price formation.

Barrier 8: Existence of RES support schemes

Please describe the barrier or complement the description of the heading

Impact of certain forms of incentives received by the RES (e.g. feed-in tariffs) on the efficient price formation in energy markets

Please rate the importance of this barrier

- (●) High
- ( ) Medium
- ( ) Low

Does this barrier specifically prevent prices from reflecting actual scarcity?

- ( ) Yes
- (●) No

Please provide one or more real examples. Please specify to the possible extent the following: i) Member State/s where the barrier takes place, ii) some indicators to measure the barrier, iii) Type of market participants that may be specifically impacted by such a barrier.
Please specify, in addition, the geographical scope of relevance of the barrier: Whether it is a barrier witnessed in a given country or some countries, a pan-European barrier, or a barrier specific to some countries with pan-European implications.

The existence of RES support schemes is strongly helping the Union in the achievement of the decarbonization targets. Nevertheless, some specific kind of support schemes, such as the sliding feed-in-premiums ("two ways") may act as a cap of the bidding price for those plants receiving these incentives. Therefore, we believe that RES support schemes should be designed in order to minimise this negative effect in price formation in electricity market. For instance, the new Italian RES supporting scheme (FER 1) in form of contract for difference (CfD) foresees that if the market clearing price is zero for at least 6 consecutive hours then the incentive is suspended. This should contribute to incentivise RES plants receiving the incentive not to bid under their variable costs but, if bidding price floors are phased-out (see Barrier 1), there might be room for a general reevaluation of this arrangement, as to guarantee that no distortive effects arise in any market timeframe.

Barrier 9: Lack of or wrong locational signals in the transmission and/or distribution tariffs

Note: For additional information, please refer to:
ACER Practice report on transmission tariff methodologies in Europe, 2019,
CEER Paper on Electricity Distribution Tariffs Supporting the Energy Transition, 2020

Please describe the barrier or complement the description of the heading

Please rate the importance of this barrier

- ( ) High

- ○ Medium
- ◉ Low

Does this barrier specifically prevent prices from reflecting actual scarcity?

- ○ Yes
- ◉ No

Please provide one or more real examples. Please specify to the possible extent the following: i) Member State/s where the barrier takes place, ii) some indicators to measure the barrier, iii) Type of market participants that may be specifically impacted by such a barrier.
Please specify, in addition, the geographical scope of relevance of the barrier: Whether it is a barrier witnessed in a given country or some countries, a pan-European barrier, or a barrier specific to some countries with pan-European implications.

Distribution tariff do not represent a market barrier. Furthermore, regarding locational signals - as highlighted by CEER - while the drivers of the locational variation in network costs are known, there are several limitations when implementing locational variation in distribution network tariffs.

Barrier 10: Limited use of dynamic prices in retail/end user contracts

Please describe the barrier or complement the description of the heading

Please rate the importance of this barrier

- ○ High
- ○ Medium
- ◉ Low

Does this barrier specifically prevent prices from reflecting actual scarcity?

- ○ Yes
- ◉ No

Please provide one or more real examples. Please specify to the possible extent the following: i) Member State/s where the barrier takes place, ii) some indicators to measure the barrier, iii) Type of market participants that may be specifically impacted by such a barrier.
Please specify, in addition, the geographical scope of relevance of the barrier: Whether it is a barrier witnessed in a given country or some countries, a pan-European barrier, or a barrier specific to some countries with pan-European implications.

Barrier 11: Insufficient level of liquidity in any market timeframe

Please describe the barrier or complement the description of the heading

Low liquidity in different market segments.

Please rate the importance of this barrier

- ○ High
- ◉ Medium
- ○ Low

Does this barrier specifically prevent prices from reflecting actual scarcity?

- ○ Yes
- ◉ No

Please provide one or more real examples. Please specify to the possible extent the following: i) Member State/s where the barrier takes place, ii) some indicators to measure the barrier, iii) Type of market participants that may be specifically impacted by such a barrier.
Please specify, in addition, the geographical scope of relevance of the barrier: Whether it is a barrier witnessed in a given country or some countries, a pan-European barrier, or a barrier specific to some countries with pan-European implications.

Barrier 12: Other barrier

Please describe the barrier or complement the description of the heading

Poor Quality Data: In many cases significant data related to the functioning of the electricity wholesale markets are made public with poor quality, or not published at all.

Please rate the importance of this barrier

- ○ High
- ○ Medium
- ◉ Low

Does this barrier specifically prevent prices from reflecting actual scarcity?

- ○ Yes
- ◉ No

Please provide one or more real examples. Please specify to the possible extent the following: i) Member State/s where the barrier takes place, ii) some indicators to measure the barrier, iii) Type of market participants that may be specifically impacted by such a barrier.
Please specify, in addition, the geographical scope of relevance of the barrier: Whether it is a barrier witnessed in a given country or some countries, a pan-European barrier, or a barrier specific to some countries with pan-European implications.

The lack of information about some significant aspect of the electricity markets could impact the operator behaviour, creating some avoidable inefficiencies. In Italy for instance, the poor-quality information about network constraint provided by the TSOs could induce operators in some inefficient operation, with negative effect on the electricity price formation.

Barrier 13: Other barrier

Please describe the barrier or complement the description of the heading

Taxes and levies design, that often distort the market

Please rate the importance of this barrier

- ◉ High
- ○ Medium
- ○ Low

Does this barrier specifically prevent prices from reflecting actual scarcity?

- ◉ Yes
- ○ No

Please provide one or more real examples. Please specify to the possible extent the following: i) Member State/s where the barrier takes place, ii) some indicators to measure the barrier, iii) Type of market participants that may be specifically impacted by such a barrier.
Please specify, in addition, the geographical scope of relevance of the barrier: Whether it is a barrier witnessed in a given country or some countries, a pan-European barrier, or a barrier specific to some countries with pan-European implications.

Taxation on the different costs that are priced in into the bids of generators (fuel costs, taxes on water use for hydro generation, carbon taxes, taxes on market revenues) alter the price formation process in the wholesale market and trigger unreasonable effects like changing the merit order in cross border trade of electricity, or damaging the competitiveness of technologies such as storage (which can play a key role in providing flexibility services to the system).

Other charges on the final price of electricity contribute to making the electrification process less competitive in comparison with other more pollutant energy vectors. These kind of charges, or levies, are generally related to policy decisions (tariff deficit, RES support, ..).

Barrier 14: Other barrier

Please describe the barrier or complement the description of the heading

Please rate the importance of this barrier

- High
- Medium
- Low

Does this barrier specifically prevent prices from reflecting actual scarcity?

- Yes
- No

Please provide one or more real examples. Please specify to the possible extent the following: i) Member State/s where the barrier takes place, ii) some indicators to measure the barrier, iii) Type of market participants that may be specifically impacted by such a barrier.
Please specify, in addition, the geographical scope of relevance of the barrier: Whether it is a barrier witnessed in a given country or some countries, a pan-European barrier, or a barrier specific to some countries with pan-European implications.

Barrier 15: Other barrier

Please describe the barrier or complement the description of the heading

Please rate the importance of this barrier

- High
- Medium
- Low

Does this barrier specifically prevent prices from reflecting actual scarcity?

- Yes
- No

Please provide one or more real examples. Please specify to the possible extent the following: i) Member State/s where the barrier takes place, ii) some indicators to measure the barrier, iii) Type of market participants that may be specifically impacted by such a barrier.
Please specify, in addition, the geographical scope of relevance of the barrier: Whether it is a barrier witnessed in a given country or some countries, a pan-European barrier, or a barrier specific to some countries with pan-European implications.

Barriers to market entry and participation for new entrants and small players

In this section, we invite you to identify barriers to easy market entry and participation for new entrants and smaller actors, either from the list below or outside this list. Once you have provided relevant information in relation to a barrier, you may proceed with another barrier, or to the next section.
You can provide information in relation to up to 15 barriers.

Scope

New entrants and small players refer to those resources that can provide flexibility in the electricity systems, hereafter referred as flexibility resources. The participation of demand side response, non-incumbent suppliers, aggregation, distributed generation, energy storage (including electro mobility), and citizen energy communities is at least considered as part of these resources.
These barriers cover all timeframes of the electricity markets, i.e. from the long-term (forward markets) to the closest-to-real-time timeframes (balancing markets, including imbalance settlement).

The list of suggested barriers is the following:

- Barrier 1: Lack of an adequate national strategy and/or implementation plan to promote the entry and participation of flexibility resources in all market timeframes
- Barrier 2: Lack of a legal framework defining roles and responsibilities of flexibility resources
- Barrier 3: Complex administrate and permitting procedures
- Barrier 4: Technical (e.g. qualification process) or market (e.g. size or granularity of the product) requirements hindering market entry and/or participation in all market timeframes
- Barrier 5: Discriminatory licensing and tax arrangements for non-domestic actors
- Barrier 6: Discriminatory access and connection to the network and/or discriminatory design of network charges
- Barrier 7: Discriminatory grid code requirements for distributed assets
- Barrier 8: Grid tariff design discouraging for offering (distributed) flexibility
- Barrier 9: Lack of transparency and availability of relevant information to entry and participate in all market timeframes
- Any other barrier

Barrier 1: Lack of an adequate national strategy and/or implementation plan to promote the entry and participation of flexibility resources in all market timeframes

Please describe the barrier or complement the description of the heading

> Absence of precise national strategies could have on the participation of flexibility resources like NCRES, demand side response etc. in all market segments (from day-ahead to balancing markets).

Please rate the importance of this barrier

- ○ High
- ◉ Medium

- Low

Please provide one or more real examples. Please specify to the possible extent the following: i) Member State/s where the barrier takes place, ii) some indicators to measure the barrier, iii) Type of market participants that may be specifically impacted by such a barrier.
Please specify, in addition, the geographical scope of relevance of the barrier: Whether it is a barrier witnessed in a given country or some countries, a pan-European barrier, or a barrier specific to some countries with pan-European implications.

The path of market reforms that have been exposed in the Italian Implementation Plan is a good starting point for a wider participation in electricity markets: a general review of the dispatching rules that aims to open the ASM and energy markets to new market players, also in aggregated form, will allow to improve the efficiency in the procurement of these services and contribute to decarbonization, provided that a technology neutral approach is adopted. The introduction of pilot projects aimed to extend the participation of new resources (such as energy storage systems and RES) in the procurement of ancillary services like voltage and secondary frequency regulation services is equally important in completing the above mentioned reforms. Moreover, in 2019, the first steps were taken towards the definition of a regulatory framework suitable for allowing the use of flexibility resources also by DSOs too.

Barrier 2: Lack of a legal framework defining roles and responsibilities of flexibility resources

Please describe the barrier or complement the description of the heading

This barrier represents a situation where roles and responsibilities of all the players involved in the participation of flexibility resources (e.g. BRPs and BSPs) in the market are not adequately defined by NRAs or the national governments.

Please rate the importance of this barrier

- High
- Medium
- Low

Please provide one or more real examples. Please specify to the possible extent the following: i) Member State/s where the barrier takes place, ii) some indicators to measure the barrier, iii) Type of market participants that may be specifically impacted by such a barrier.
Please specify, in addition, the geographical scope of relevance of the barrier: Whether it is a barrier witnessed in a given country or some countries, a pan-European barrier, or a barrier specific to some countries with pan-European implications.

An important aspect of the Italian reform of the dispatching rules is the redefinition of some of the current characteristics of the aggregated units (called UVAM – Mixed Enabled Virtual Units) with the aim to open electricity markets to the participation of all market players in a technology neutral way. Nevertheless, in order to ensure the sustainability of the participation of DSR and other flexibility resources in the markets (also in aggregated mode), BRPs should be adequately compensated for the costs incurred linked to the activity of BSPs. The future regulation introduced by the Italian authorities should guarantee that the legitimate interests of both BSPs and BRPs are preserved to avoid cross-subsidies.

Barrier 3: Complex administrative and permitting procedures

Please describe the barrier or complement the description of the heading

Inefficiency of long bureaucratic processes which hinder participation in some market segments, such as Administrative reporting to Ministries, TSOs, NRAs or other public entities. Long or unclear permitting procedures for new flexibility sources (e.g. storage).

Please rate the importance of this barrier

- (●) High
- ( ) Medium
- ( ) Low

Please provide one or more real examples. Please specify to the possible extent the following: i) Member State/s where the barrier takes place, ii) some indicators to measure the barrier, iii) Type of market participants that may be specifically impacted by such a barrier.
Please specify, in addition, the geographical scope of relevance of the barrier: Whether it is a barrier witnessed in a given country or some countries, a pan-European barrier, or a barrier specific to some countries with pan-European implications.

For instance, in Italy needs to streamline and better define permitting procedures for all types of storage (hydro pump storage and batteries), which nowadays can be an obstacle to the deployment of this kind of assets. More generally, the long permitting procedures (licensing phase requires at least 2 years and construction phase almost 3 years) which currently characterize the realization of a CCGT thermal power plant constitutes a strong barrier to market entry also for traditional technologies.

Barrier 4: Technical (e.g. qualification process) or market (e.g. size or granularity of the product) requirements hindering market entry and/or participation in all market timeframes

Please describe the barrier or complement the description of the heading

Restrictions to participation in the different market timeframes because of technical requirements or lack of products reflecting market needs.

Please rate the importance of this barrier

- ( ) High
- (●) Medium
- ( ) Low

Please provide one or more real examples. Please specify to the possible extent the following: i) Member State/s where the barrier takes place, ii) some indicators to measure the barrier, iii) Type of market participants that may be specifically impacted by such a barrier.
Please specify, in addition, the geographical scope of relevance of the barrier: Whether it is a barrier witnessed in a given country or some countries, a pan-European barrier, or a barrier specific to some countries with pan-European implications.

With regards to the Italian market, long and complex qualification process for UVAM can for example discourage clients to shift from a BSP to another, thus limiting the access of new market players in the Pilot project for the participation for distributed resources in the Italian ASM.

Barrier 5: Discriminatory licensing and tax arrangements for non-domestic actors

Please describe the barrier or complement the description of the heading

Burdensome requirements for obtaining a license with Ministries, NRAs or TSOs or the obligation to establish local branches

Please rate the importance of this barrier

- ○ High
- ◉ Medium
- ○ Low

Please provide one or more real examples. Please specify to the possible extent the following: i) Member State/s where the barrier takes place, ii) some indicators to measure the barrier, iii) Type of market participants that may be specifically impacted by such a barrier.
Please specify, in addition, the geographical scope of relevance of the barrier: Whether it is a barrier witnessed in a given country or some countries, a pan-European barrier, or a barrier specific to some countries with pan-European implications.

Barrier 6: Discriminatory access and connection to the network and/or discriminatory design of network charges

Please describe the barrier or complement the description of the heading

Discriminatory network connection procedures and/or charges which may penalize some categories of market operators

Please rate the importance of this barrier

- ○ High
- ◉ Medium
- ○ Low

Please provide one or more real examples. Please specify to the possible extent the following: i) Member State/s where the barrier takes place, ii) some indicators to measure the barrier, iii) Type of market participants that may be specifically impacted by such a barrier.
Please specify, in addition, the geographical scope of relevance of the barrier: Whether it is a barrier witnessed in a given country or some countries, a pan-European barrier, or a barrier specific to some countries with pan-European implications.

Barrier 7: Discriminatory grid code requirements for distributed assets

Please describe the barrier or complement the description of the heading

Restrictions to participation of distributed assets in different markets because of discriminatory technical requirements included in grid codes.

Please rate the importance of this barrier

- ○ High
- ◉ Medium
- ○ Low

Please provide one or more real examples. Please specify to the possible extent the following: i) Member State/s where the barrier takes place, ii) some indicators to measure the barrier, iii) Type of market participants that may be specifically impacted by such a barrier.

Please specify, in addition, the geographical scope of relevance of the barrier: Whether it is a barrier witnessed in a given country or some countries, a pan-European barrier, or a barrier specific to some countries with pan-European implications.

Minimum size requirements for the participation in Ancillary Services Markets (10 MVA) could represent in Italy a discriminatory grid code prerequisite for distributed assets, but the introduction of pilot projects which enable and incentivize the participation in the market of aggregated units (such as the UVAM Pilot Project) are already reaching the aim to open ASM to the participation of all market players in a technology neutral way.

Barrier 8: Grid tariff design discouraging for offering (distributed) flexibility

Please describe the barrier or complement the description of the heading

Specific grid tariff design which could discourage the participation of distributed flexibility in the electricity market (e.g. double charging for electricity stored and reinjected in the network)

Please rate the importance of this barrier

- ○ High
- ◉ Medium
- ○ Low

Please provide one or more real examples. Please specify to the possible extent the following: i) Member State/s where the barrier takes place, ii) some indicators to measure the barrier, iii) Type of market participants that may be specifically impacted by such a barrier.
Please specify, in addition, the geographical scope of relevance of the barrier: Whether it is a barrier witnessed in a given country or some countries, a pan-European barrier, or a barrier specific to some countries with pan-European implications.

With regards to electricity storage, and taking into account the evolution of the legal, fiscal and regulatory framework at the EU level,it is necessary to continue in the direction indicated by Italian NRA through the Consultation document 345/2019/R/eel, which introduces a rationalization of the regulation related to the transmission, distribution and dispatching charges for the energy withdrawn, stored and subsequently re-injected to the grid by the storage systems in order to avoid double charging.

Barrier 9: Lack of transparency and availability of relevant information to entry and participate in all market timeframes

Please describe the barrier or complement the description of the heading

Late or incomplete publication or disclosure of relevant information on energy and ancillary services markets

Please rate the importance of this barrier

- ○ High
- ◉ Medium
- ○ Low

Please provide one or more real examples. Please specify to the possible extent the following: i) Member State/s where the barrier takes place, ii) some indicators to measure the barrier, iii) Type of market participants that may be specifically impacted by such a barrier.
Please specify, in addition, the geographical scope of relevance of the barrier: Whether it is a barrier witnessed in a given country or some countries, a pan-European barrier, or a barrier specific to some countries with pan-European implications.

With regards to Italy, we believe that higher transparency about the reasons for the selection of balancing resources would guide operators to the supply of the most valuable services for the TSO. With the same objective, a better segmentation of balancing products could also be helpful for a more efficient procurement of balancing resources (e.g. the Italian service of tertiary reserve, which is akin to the Replacement Reserve but with lower activation times, could be further split in different services with different characteristics in terms of response time). Better transparency should also be ensured by the TSO on the allocation procedure for hedging products such as CCC.

In the end, in order to facilitate the access to data published by the TSOs, an adequate parallel run period of the servers is guaranteed every time the publication platforms change is equally important: this could prevent the risk of interruption of the data flow and would allow operators to adapt their IT systems.

Barrier 10: Other barrier

Please describe the barrier or complement the description of the heading

Discriminatory financial requirements: Financial requirements that are not achievable for new entrants and small players, due to their design and not because of their level.

Please rate the importance of this barrier

- ○ High
- ◉ Medium
- ○ Low

Please provide one or more real examples. Please specify to the possible extent the following: i) Member State/s where the barrier takes place, ii) some indicators to measure the barrier, iii) Type of market participants that may be specifically impacted by such a barrier.
Please specify, in addition, the geographical scope of relevance of the barrier: Whether it is a barrier witnessed in a given country or some countries, a pan-European barrier, or a barrier specific to some countries with pan-European implications.

With regards to Italy, in order to provide some services (such as “Servizio di Salvaguardia”), players need to fulfill a set of specific requirements, including financial reliability rating (≥ BBB-/Baa3). The actual design of the service implies that this requirement cannot be fulfilled by obtaining a financial guarantee issued by financial intermediaries, resulting in a barrier for new market participants or small players.

Barrier 11: Other barrier

Please describe the barrier or complement the description of the heading

Please rate the importance of this barrier

- High
- Medium
- Low

Please provide one or more real examples. Please specify to the possible extent the following: i) Member State/s where the barrier takes place, ii) some indicators to measure the barrier, iii) Type of market participants that may be specifically impacted by such a barrier.
Please specify, in addition, the geographical scope of relevance of the barrier: Whether it is a barrier witnessed in a given country or some countries, a pan-European barrier, or a barrier specific to some countries with pan-European implications.

Barrier 12: Other barrier

Please describe the barrier or complement the description of the heading

Please rate the importance of this barrier

- High
- Medium
- Low

Please provide one or more real examples. Please specify to the possible extent the following: i) Member State/s where the barrier takes place, ii) some indicators to measure the barrier, iii) Type of market participants that may be specifically impacted by such a barrier.
Please specify, in addition, the geographical scope of relevance of the barrier: Whether it is a barrier witnessed in a given country or some countries, a pan-European barrier, or a barrier specific to some countries with pan-European implications.

Barrier 13: Other barrier

Please describe the barrier or complement the description of the heading

Please rate the importance of this barrier

- High
- Medium
- Low

Please provide one or more real examples. Please specify to the possible extent the following: i) Member State/s where the barrier takes place, ii) some indicators to measure the barrier, iii) Type of market participants that may be specifically impacted by such a barrier.
Please specify, in addition, the geographical scope of relevance of the barrier: Whether it is a barrier witnessed in a given country or some countries, a pan-European barrier, or a barrier specific to some countries with pan-European implications.

Barrier 14: Other barrier

Please describe the barrier or complement the description of the heading

Please rate the importance of this barrier

- High
- Medium
- Low

Please provide one or more real examples. Please specify to the possible extent the following: i) Member State/s where the barrier takes place, ii) some indicators to measure the barrier, iii) Type of market participants that may be specifically impacted by such a barrier.
Please specify, in addition, the geographical scope of relevance of the barrier: Whether it is a barrier witnessed in a given country or some countries, a pan-European barrier, or a barrier specific to some countries with pan-European implications.

Barrier 15: Other barrier

Please describe the barrier or complement the description of the heading

Please rate the importance of this barrier

- High
- Medium
- Low

Please provide one or more real examples. Please specify to the possible extent the following: i) Member State/s where the barrier takes place, ii) some indicators to measure the barrier, iii) Type of market participants that may be specifically impacted by such a barrier.

Please specify, in addition, the geographical scope of relevance of the barrier: Whether it is a barrier witnessed in a given country or some countries, a pan-European barrier, or a barrier specific to some countries with pan-European implications.

Conclusion

What are, in your view, the three most important barriers to market entry and participation for new players and small actors in the electricity markets, in your country and in the EU?

1. Barrier 3: Complex administrative and permitting procedures
2. Barrier 2: Lack of a legal framework defining roles and responsibilities of flexibility resources
3. Barrier 9: Lack of transparency and availability of relevant information to entry and participate in all market timeframes

What are, in your view, the three most important barriers to efficient price formation in the wholesale electricity markets, in your country and in the EU?

1. Barrier 1: Presence of price caps, bidding limits and/or price regulation in any market timeframe
2. Barrier 6: Inefficient design of bidding zones
3. Barrier 8: Existence of RES support schemes

About the Barrier 8: Existence of RES support schemes, we recognize the importance of the RES support schemes in the achievement of both national and European targets for decarbonization. If those targets are not under discussion as they result from political choices, we believe that large volumes of incentivised energy can have an impact on price formation in electricity markets. Since it's likely that the RES support schemes will be necessary to achieve climate objectives by playing an important role for the decarbonization of the electricity sector in the medium-long term, policy makers should pay attention to mitigate their effect on the well-functioning of electricity wholesale markets

Any other comment

Contact

Contact Form