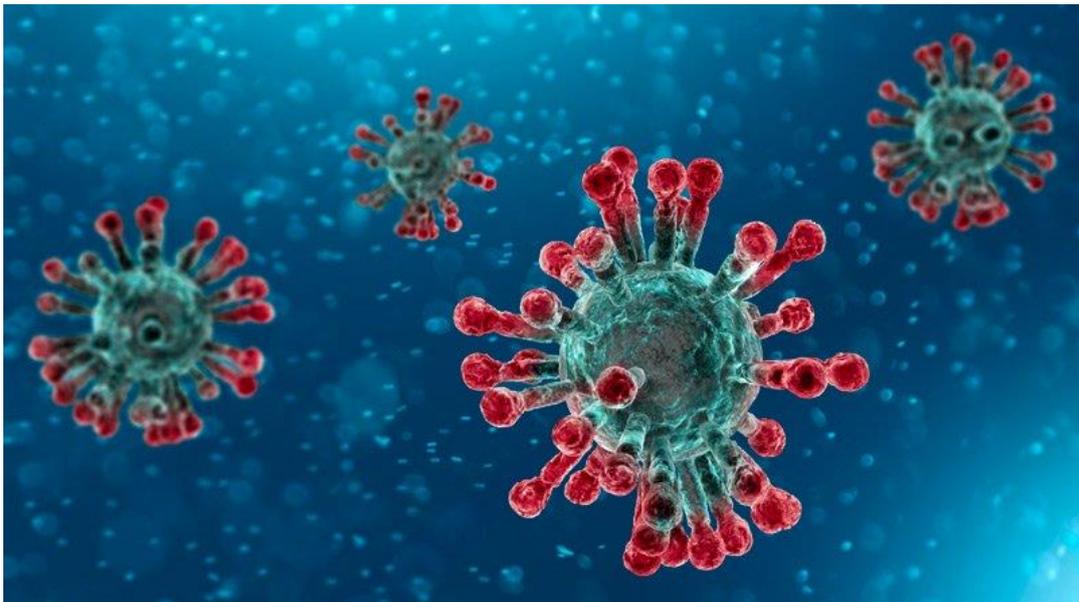


Information and update regarding the COVID-19 emergency in Italy with focus on the power sector

Input to the European Associations



20th May 2020

Introduction

In the past months the outbreak of a new coronavirus epidemic phenomenon has led to a sanitary emergency and induced various areas in the world and Governments to adopt increasingly stringent sanitary and social distancing measures to combat it. Starting from the 12th of February 2020 the virus has been labelled as SARS-CoV-2. The disease linked with such virus has been called COVID-19 «coronavirus disease 2019» and, following a major spread around the globe, the World Health Organization (WHO) declared the situation a [global pandemic](#) on the 11th of March 2020.

The effects on society and power sector is extremely significant and it is not possible to quantify such impacts today in a precise way, also considering the rapid evolution of the situation. Nevertheless, the goal of this brief document is to provide information and updates regarding the situation in Italy, especially in terms of effects on the power sector.

Elettricità Futura (EF) has also setup dedicated web areas with updates on the global and Italian situation linked to the COVID-19 emergency based on the activities of the [EF's Health and Safety Committee](#) and information stream based on Confindustria updates. Please refer to such areas for up to date information.

Specific points – Normative Measures and Procedures

The Italian Government as well as the Administrative Authorities, the Regions and other such as the National Energy Regulator (ARERA) have introduced increasingly stringent measures.

Some of key ones which are still in force are summarised hereby, listed according to the enacting authority for sake of simplicity. **Such list is not exhaustive, and it might be updated with further measures in the future.**

General primary measures enacted by the Italian Government to combat COVID-19 and impacting the power sector

31st Jan 2020 - Decision of the Council of Ministers of 31 January 2020, declaring a state of emergency for six months on national territory

March 2020

- [Law Decrees 2nd March no. 9 – 8th March no. 11 – 9th March no 14 - 17th March no. 18](#)
to introduce measures to strengthen the National Health Service and economic support for families, workers and businesses related to the emergency, introducing specific rules related to safety and quarantine for health operators and essential public services
- [Law Decree 25th March 2020 no. 19](#)
to introduce the possibility of adopting, on specific parts of the national territory or on the whole of it, for predetermined periods, each of a duration not exceeding thirty days, which may be repeated and amended even several times until the end of the state of emergency, set at the 31st July 2020. The application of those measures may be modulated upwards or downwards according to the epidemiological trend of the aforementioned virus, one or more of the measures provided for by the decree itself, according to criteria of specific adequacy and principles of proportionality to the risk actually present.

General secondary measures enacted by the National Administrative Authorities to combat COVID-19 and impacting the power sector

21st Feb 2020 – Health Ministry - specific quarantine measures for people who had been in close contact with confirmed COVID-19 cases

March 2020 – Prime Minister Decrees

- Prime Minister Decree 8 March 2020

which includes limits to movements of people on specific areas of the Italian territory, but for working reasons, suspension of different categories of activities, specific rules for people in quarantine.

- Prime Minister Decree 9 March 2020

which forbids gatherings in public areas or private areas open to public and sporting events and extend to the entire national territory previous containment measures

- Prime Minister Decree 11 March 2020

with further measures to limit movement and to make the containment measures stricter, provides the suspension of retail business activities except for specifically identified food and basic necessities activities. A self-certification was also introduced to justify movement of people and checks enforced by police and other corps with fines and jail in some cases.

- Prime Minister Decree 22 March 2020

introducing further stringent measures to contain the outbreak, such as:

- closure of industrial activities that are not deemed necessary to provide key services. **Activities linked to the generation and distribution of electricity are indeed carrying on;**
- movement of people is forbidden except for specific needs, such as those related to allowed working activities and specific necessities (such as food and medicine shopping or for health reasons);
- agile/Smart working is encouraged whenever possible.

23rd March 2020 – Communication of the Internal Affairs Ministry number 15350 of the 23rd March 2020 defining the communication to the Prefect where the productive activity is located: *“it allows movements made for proven working needs (...) which are of a daily nature or are usually carried out on a regular basis to cover short distances. For example, this includes movements for work needs in the absence in the workplace of an alternative home to the usual one (...).”*

April 2020 – Prime Minister Decrees

- Prime Minister Decree 1 April 2020

Extension of containment measures until 13th April 2020 (starting from 4th April 2020)

- Prime Minister Decree 6 April 2020

The Council of Ministers adopted a decree-law which provides, among the main measures, a state guarantee mechanism for a total of around 200 billion in favour of banks that provide loans to businesses; measures aimed at ensuring the continuity of companies in the emergency phase; the strengthening of special powers in sectors of strategic importance and financial transparency obligations; postponement of tax obligations for workers and companies.

- Prime Minister Decree 10 April 2020

The Council of Ministers adopted a decree-law (n.97 of the 11-04-2020 of the Official Journal) which has extended restrictions and containment measures until the 3rd of May 2020. However, some limited commercial and industrial activities might reopen starting from the 14th April 2020. From the 14th April all previous Prime Minister Decrees still in effect cease to produce effects. More restrictive containment measures adopted by the Regions continue to apply, also in agreement with the Minister of Health, relating to specific areas of the territory.

- Prime Minister Decree 26 April 2020

The Council of Ministers adopted a decree-law (n. 108 of the 27-04-2020 of the Official Journal) with new measures for the containment of the contagion from Covid-19 and which will be valid from the 4th May and for the following two weeks. Starting from the 4th of May, it will be possible to resume manufacturing, construction, real estate brokerage and wholesale trade that were previously stopped. For these categories, starting from the 27th April it will be possible to proceed with all those preparatory operations for reopening such as the sanitation of the environments and introduction of measures for the safety of workers.

Further measures have been defined by other Italian institutional stakeholders (but not described here), such as: Ministry of Economic Development, Ministry of Transports and Infrastructures, and Health Ministry.

Specific measures taken by ARERA, the National Energy Regulator

Law Decree no. 6 established that the Regulatory Authority ARERA provides for temporary suspension, until 30th April 2020, the terms of payment of invoices, and the payment notices issued or to be issued, for the municipalities in the so-called "zona rossa", i.e. the initial 11 municipalities located in Lombardia and Veneto firstly affected by the outbreak. In addition, ARERA provided the suspension, from the 10th of March to the 3rd of April 2020, of the disconnections of electricity and gas supply due to arrears of payments for households and small businesses. For electricity, this measure refers to all low voltage customers and, for gas, to all customers with consumption up to 200 Smc/year. Measure are listed in the following.

12th March 2020 – Approval of resolution 59/2020, which postpones all monitoring reports duties of distributors and suppliers until after April 3rd

12th March 2020 – Approval of resolution 60/2020, which interrupts and resets all actions undertaken between March 10th and April 3rd by suppliers to recover the amounts due by defaulting clients (e.g. it is not possible anymore to interrupt the supply of gas or electricity until the client pays). ARERA has also instituted a fund that should be dedicated to refunding suppliers who cannot recover their clients' debt because of the resolution.

17th March 2020 – Approval of resolution 75/2020, which defines specific measures for the Lombardia and Veneto territories identified by the DPCM 23 February no. 6, where the coronavirus outbreak started. The payments of all bills for these territories is postponed until July, and suppliers will have to automatically grant customers the possibility to pay the amounts due in instalments. ARERA also instituted a mechanism to loan to suppliers a part of the money which they won't be able to collect from their clients during this period.

17th March 2020 – Approval of resolution 76/2020, which postpones for customers the date to renew the annual request to receive the so called "bonus sociale", a discount of vulnerable customers' bills

24th March 2020 – Approval of resolution 86/2020 which postpones the terms provided for by regulation

26th March 2020 - Approval of resolution 94/2020 which postpones terms of performance about disclosure obligations

26th March 2020 - Decision: Quarterly update of tariff components - Provisions to the Fund for Energy and Environmental Services (CSEA). Resolution 26 March 2020 95/2020 / R / com

26th March 2020 - Decision Deferral of close terms of fulfillment of the information obligations regarding quality and tariffs. Act March 26, 2020 5/2020 - DIEU

2nd April 2020 - Decision Exceptions to the regulation contained in the network codes regarding the management of possible defaults in user payments. Act: Resolution 2 April 2020 116/2020 / R / com

2nd April 2020 - Decision: Further urgent measures to protect customers and end users in terms of how bills are sent and payments in instalments. Act: Resolution 2 April 2020 117/2020 / R / com

7th April 2020 - Decision: Transitional enhancement of actual imbalances in the presence of the epidemiological emergency from COVID-19. Act: Resolution 7 April 2020 121/2020 / R / eel

7th April 2020 - Decision: Suspension of certain timelines of the Integrated Text Active Connections. Act: Resolution 7 April 2020 123/2020 / R / eel

13th April 2020 - Decision: Extension to 3rd May of the measures for blocking the suspension of electricity, gas and water supplies in insolvency proceeding. Act: Resolution 13 April 2020 124/2020 / R / com

23rd April 2020 - Decision: Hypothesis of regulatory intervention to be submitted to the Government and Parliament for evaluation, in order to help mitigate, as far as possible, difficult situations and any critical issues for end customers of electricity and natural gas, as well as the final users of the integrated water service and waste management service, urban and similar, deriving from the current epidemiological emergency. Act: Report of April 23, 2020 136/2020 / I / COM

28th April 28, 2020 - Decision: Extension of the urgent provisions of the Authority's resolution 76/2020 / R / com on the electric bonus, gas bonus and social water bonus introduced following the epidemiological emergency from COVID-19. Act: Resolution April 28, 2020 140/2020 / R / com

30th April 2020 - Decision: Further extension of the urgent measures for the epidemiological emergency from COVID-19 to protect customers and end users: changes to the Authority's resolution 60/2020 / R / com. Act: Resolution April 30, 2020 148/2020 / R / com

30th April 30, 2020 - Decision: Extension of urgent measures for the epidemiological emergency from COVID-19, on the supply of electricity transport and natural gas distribution services: changes to the Authority's resolution 116/2020 / R / COM. Act: Resolution 30 April 2020 149/2020 / R / com

Specific points – Procedures undertaken by the Electricity Sector

Specific measures have been undertaken by the power sector for “phase 2” of the COVID-19 emergency. A non-exhaustive list of measures is presented hereafter (as collected by the Health and Safety Committee of Eletticità Futura). Such list might be updated as the situation evolves. Latest update on 2nd of May 2020.

Information

- updating of information for workers, also in terms of tips on procedures to follow in case of flu symptoms (avoid work) and contact with contagious people (activation of the Competent Doctor and the RSPP),

- possible development of worker training programs on specific risks from nCoV-2019 virus and COVID-19 disease

Organisation

- keeping the Task Forces and Crisis Unit established during the emergency phase and identification of internal representatives for the management of the procedures adopted for "Phase 2"
- keeping widespread adoption of "Smart Working" methods and extensive use of remote communication technologies (e.g. skype, videoconference, cell phones, etc.), even in case return to the workplace
- gradual return plans to workplaces - especially for administrative and management offices
- verification of possible interventions to encourage the use of private means of transport
- possible organisation of transport systems for employees who cannot go to work with their own means and identify management criteria to avoid overcrowding in the means of transport made available
- reorganisation and modification of the layout of the administrative, managerial and management offices, to avoid situations of close distance between employees
- ban on the use of meeting rooms, except for use as offices
- keeping the ban on access to meeting rooms for external parties
- keeping of access limits for employees only to access their own site
- reduction of staff on duty both in operation and maintenance
- verification of the possibility of having staff located continuously at the plant
- cancellations of meetings involving travel from abroad to Italy
- keeping verification procedures for carrying out business trips on the national territory, in particular between different regions
- maintaining the ban on international and domestic travel
- keeping of suspension of de-visu training courses, participation in external events, visits to the plants
- identification of specific waste management methods coming from PPE, with distinctions in cases of infected PPE
- verification of waste management procedures for septic tanks

Prevention

- drafting of an intervention plan or of a procedure attached to the Risk Assessment Document, which includes the actions taken to deal with the emergency, the provision of PPE and the required behaviour
- possible update of the Operational Safety Plan and the Safety and Coordination Plan for the management of safety on construction sites with respect to biological risk from external factors
- widespread provision of Personal Protective Equipment for employees also for the route between the place of residence and the workplace
- obligation to use masks in the workplace, with differentiation based on the role played (facial filters vs. surgical masks)
- verification of the possibility of acquiring machinery (ozone or ultraviolet ray systems) for the sanitation of the PPEs (typically masks) in the case of scarce availability
- possible interventions on air conditioning systems in order to avoid recirculation of the air in the workplace
- possible interventions on the hygienic-sanitary environments to avoid the contagion among the users
- organisation of systems and procedures for checking the health status of workers going to the workplace:
 - body temperature measurement, with reference to the value of 37.5 ° as critical limit
 - possible development of screening procedures (possible testing using oropharyngeal (swabs) or serological tests) to be developed according to the indications of health authorities

- keeping of body temperature measurement procedures for externals
- installation of sanitising dispensers at offices and plants and individual distribution of sanitizing bottles for reception staff
- distribution of Personal Protective Equipment (PPE) for personal sanitation. Generally, it is expected that whoever ends the shift will take care of sanitisation of one's own station.
- identification of specific ways of using PPE according to function covered and the work done
- increased sanitation cycles of premises and company vehicles and car fleet
- verification of sanitisation procedures for cramped spaces and places with difficult access (enclosed spaces), such as wind turbine nacelles
- limitations for entry to company canteens. Possible closure of company canteens and definition of alternative meal distribution methods
- specific procedures for the management of changing rooms, discouraging their use if possible.
- keeping closure of the refreshment points, smoking areas etc. spread in the plant to avoid gatherings

Protection

- adoption of precautionary quarantine isolation measures for those who have had close contact with a coronavirus positive case
- possible distribution - to workers who have developed the infection from coronavirus - of preventive self-diagnosis tools to support the measures of control set up by the health system (for example, oximeters)

Specific points – Analysis of Preliminary Impact on the Italian Power Sector

At this stage, it is not possible to quantify the overall impact of the COVID-19 emergency on the power sector, especially because the situation is rapidly evolving. Nevertheless, some evidences start to appear on the electricity market.

The average day-ahead market price (PUN) in February 2020 was 39,3 €/MWh and that was the minimum since September 2016 with a reduction of 17.2% with respect to January 2020 and -31.8% with respect to February 2019. Such dynamics has been driven by the significant reductions of the gas price (10.8 € / MWh, at historic lows, also due to the effects of the COVID-19 emergency which was mainly affecting Asia at that time) and purchases, and a level of imports at the highest levels for the last two years. As well as the growth of a competitive renewable offer, especially wind.

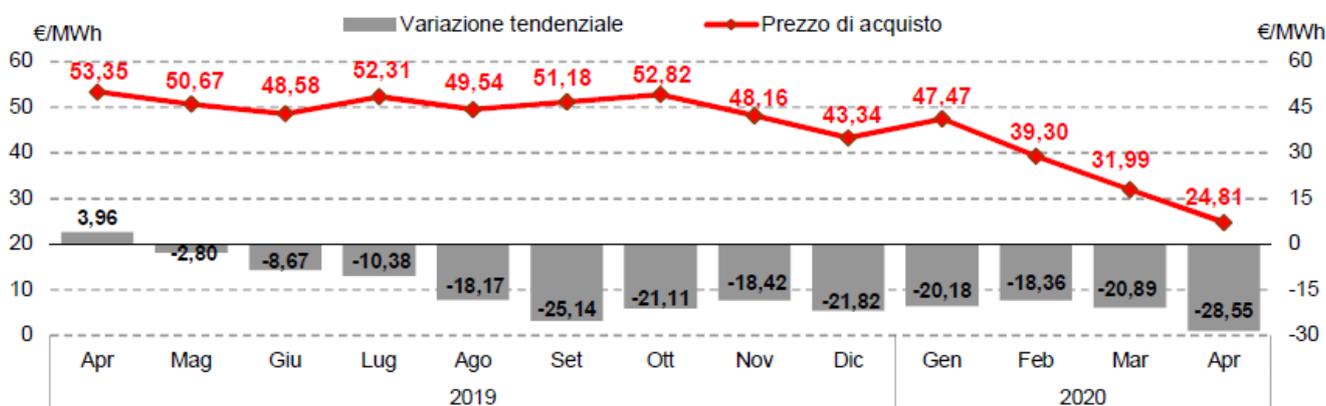


Figure 1 – evolution of the day-ahead electricity market price in Italy (average purchasing price in red and change with respect to the same month of the previous year in grey) [GME data]

In March 2020, the effects of the COVID-19 emergency have become even more evident on the Italian electricity market. PUN has reached an historic low at 32.0 €/MWh, equal to the lowest value ever which was registered in April 2016. This represented -18.6% with respect to February 2020 and -39.5% over March 2019 [GME data].

In April 2020, the average baseload PUN was 24,81 €/MWh, which was the new absolute negative record since the beginning of the electricity market pool [GME Data].

The total electricity demand in Italy has also dropped in March 2020 to 23,7 TWh (-10.2% compared with March 2019) and after the closure of several commercial and industrial activities starting from the 22nd of April the demand has dropped to 19,1 TWh in the period going from 23rd March to 20th April 2020 (-20,7% with respect to the equivalent period in 2019) [EF elaborations based on Terna's data, the Italian TSO, updated to 20th April 2020]. However, during the days after the introduction of stringent social distancing and closure of several commercial and industrial activities (22nd March to 20th April 2020), renewable generation has increased by 4.5% compared to a similar period in 2019, mainly thanks to hydro and solar photovoltaics (PV) [EF elaborations based on Terna's data, the Italian TSO, updated to 21st April 2020].

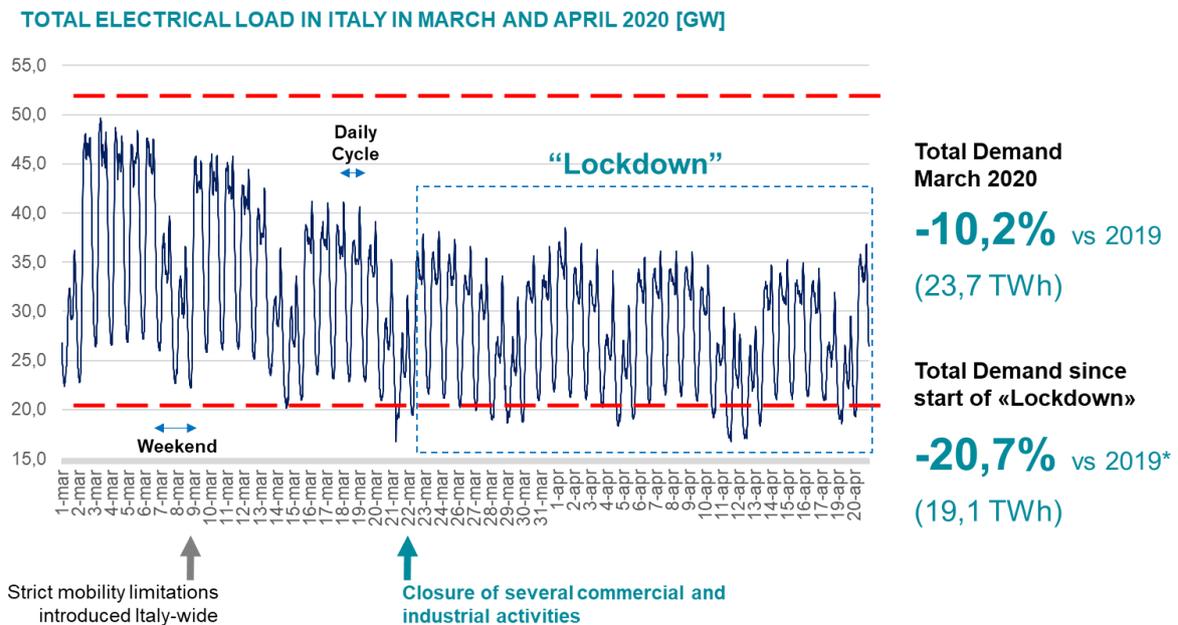


Figure 2 – electricity load in Italy during the evolution of the COVID-19 emergency (updated to 20th April 2020) [EF elaborations based on Terna's data]

RENEWABLE GENERATION IN ITALY IN MARCH AND APRIL 2020 VS 2019 [GWh]

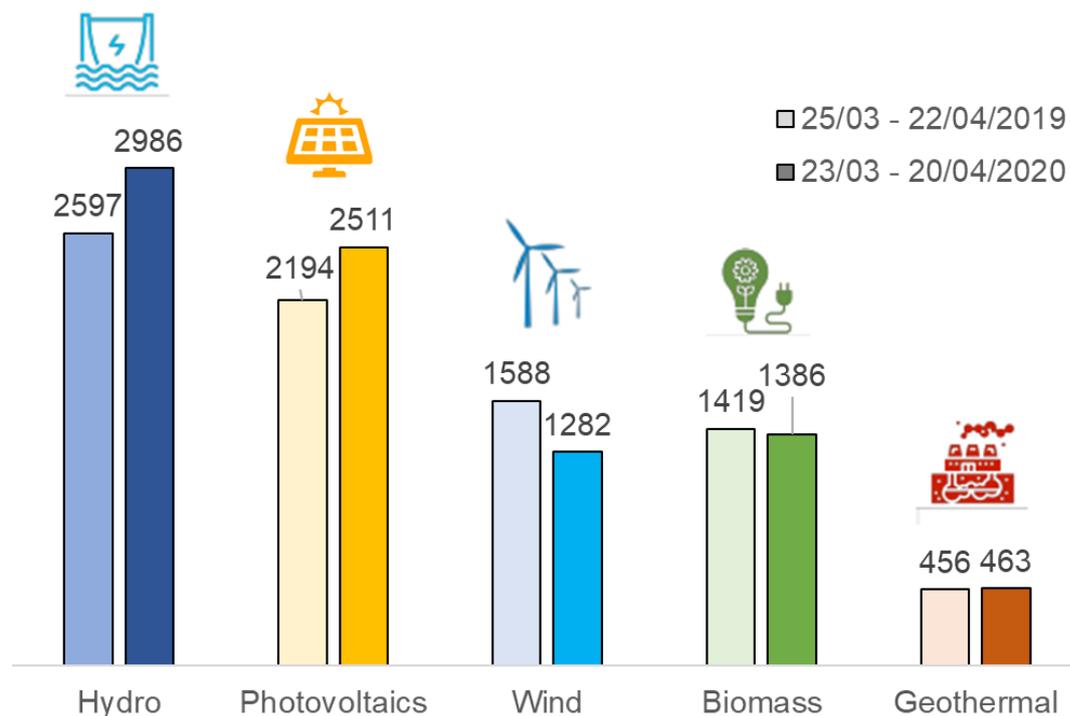


Figure 3 – electricity generation by renewables following the stringent confinement measures introduced on the 22nd March 2020 and comparison with similar period in 2019 (updated to 20th April 2020) [EF elaborations based on Terna's data]

Challenges are also observed for power plants that are under construction, for instance due to the stop/severe limitations of material and goods supply on the field and of activities on the construction site (with consequences in terms of reduction of revenue streams, possible loss of support measures and possible penalties for project delays, etc...).

At an operational level, external suppliers of the O&M service are facing growing problems for travelling and perplexities in carrying out ordinary work. Even the most important and organised operators intervene only for extraordinary fault recovery activities.

At the same time, construction sites (for example, for the revamping of photovoltaic plants) and those for extraordinary maintenance activities are stopping. This also derives from the difficulties that contractors are facing in order to guarantee safety conditions to combat the infection.

Suppliers' downstream retailing activities have also been heavily influenced by the virus outbreak. In particular, cash flows have been disrupted because of several reasons:

- Institutional communication was not very clear with regard to a possible suspension of all payments concerning electricity and gas bills: at first the government seemed to be ready to proceed with this solution, but as of today no further steps have been taken. However, due to confusing messages, many customers have decided not to pay their bills, as they are convinced that payments have already been suspended.
- Since the Italian national postal service provider has incurred in some serious issues in performing its duties, it is now very difficult, if not impossible, to deliver bills to customers who are not billed electronically (e.g. by email).

- As many customers still prefer to pay their bills traditionally, such as by going to the post office and paying them there, because of current containment measures many clients cannot or will not leave their homes to pay their bills.

Specific points – Communication from the power sector to the relevant stakeholders

On the 20th of March 2020 Eletticità Futura has submitted a [letter](#) and a [note](#) to the Ministry of Economic Development, ARERA (Italian Authority), Terna (Italian TSO) and GSE (Gestore dei Servizi Energetici) with a number of observations and requests to guarantee the operational continuity of the companies in the power sector. In particular, asking for:

- extension of deadlines to comply with White Certificates obligations and higher flexibility to access virtual certificates;
- extension of deadlines to access incentives foreseen by the DM FER 1 (the latest support Renewables support schemes launched in 2019);
- review of the electrical system unbalancing policies to make them less penalising in light of such uncertain situation;
- a more flexible approach towards measurement obligations and service quality standards (eg. for call centres that have been forced to reduce operations, ...);
- consideration towards possible curtailment of Renewables due to sharp decrease of demand and mitigation with adequate compensations.

Following such initiative, GSE, the entity managing renewable incentives and support schemes, had extended a number of deadlines (communication on the 24th of March 2020), in particular those to:

- submit requests for High Efficiency Co-generation requests, White Certificates for High Efficiency Co-generation and Fuel mix disclosure (to the 22nd of May 2020);
- submit documents and end-of-work paperwork with respect to the Renewables support schemes of 2012, 2016 and 2019 (the latest one known as DM FER 1) as well as Conto Termico and Biomethane.

The complete list of extensions is available [here](#). Eletticità Futura and Utilitalia have praised the initiative by the GSE in a [press release](#) on the 25th of March 2020.

Specific points – Economic relief measures at National Level

The Italian Government has adopted a law decree called “Cura Italia” (now being converted into law AS 1766) i.e. “Healing Italy”. In the Senate, the examination began on the 24th of March. The measure “Cura Italia” n. 18 of 17 March 2020 coordinated with the conversion law of the 24th April 2020, n. 27, was published in the Official Gazette of 29th April 2020 n. 110, ordinary supplement n. 16. This includes:

1. Italian National Health Service enhancement measures
2. Measures to support work and jobs
3. Measures to support liquidity through the banking/financial system
4. Tax measures supporting the liquidity of families and enterprises
5. Further measures

Specific measures are also being discussed to aid liquidity and to help enterprises (“DL Liquidità e sostegno imprese AC 2461”)

The situation on the economic relief measures is rapidly evolving and further updates might be come up.

Specific points – Information Sharing and Solidarity

As well as setting up a dedicated web area to provide information regarding the COVID-19 emergency (based primarily on the activity carried out by the [EF's Health and Safety Committee](#) and information stream from Confindustria), Elettricità Futura and several operators in the power sector have engaged in charitable activities (such as fund raising) to support the sector and the entire society with respect to the recovery from the emergency.

In addition, some companies have activated solidarity measures to support key organizations involved in providing health and social assistance services in response to the COVID-19 emergency in Italy. Some of these initiatives are summarised on the [EF Website](#).

Elettricità Futura is the Italian leading association representing the national electricity industry. It encompasses electrical energy generators involved in RES as well as traditional sources, distributors, traders, retailers and service providers. It represents and stands up for the members interests in Italy and in Europe, contributing to making today's electrical market more efficient, enhancing the sector and exploiting the potential of the energy transition.



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