



**Consultation document no. 01 /2021**

**Long-term contracts for renewable energy**

**Proposal for the introduction of the PPA Bulletin Board**

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## INTRODUCTION

Italian Legislative Decree no. 199 of 8 November 2021 - implementing Directive no. 2018/2001/EU of the European Parliament and of the Council on the promotion of the use of energy from renewable sources - in article 28, paragraph 1, relating to long-term agreements for the purchase and sale of electricity from renewable sources, provides that *"Within one hundred and eighty days from the date of entry into force of this decree, Gestore dei Mercati Energetici – GME S.p.A. (hereinafter: GME), in order to ensure a gradual start of long-term negotiation of renewable energy, shall create an IT bulletin board display with the aim of promoting the meeting between the parties potentially interested in the stipulation of these long-term contracts. The bulletin board display, in compliance with the legislation on the protection of personal data, provides for the obligation to register the data of the contracts that are necessary to guarantee the maximum spread of the results and monitoring, also for the purpose of creating the organised market referred to in paragraph 2."*

This document for consultation is published by GME to offer to all interested parties the opportunity to comment on the proposed operating model of the PPA bulletin board display, defined by GME for the implementation of the afore-mentioned regulatory provision.

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Comments on this consultation document must be sent in writing to GME - **Governance**, within and no later than **21 January 2022**, deadline for closing this consultation, in one of the following ways:

- e-mail: **info@mercatoelettrico.org**
- mail: **Gestore dei mercati energetici S.p.A.**  
**Viale Maresciallo Pilsudski, 122 - 124**  
**00197 – Rome**

Parties wishing to safeguard the full/partial confidentiality or secrecy of the documentation submitted are required to indicate which parts of their documentation are to be considered confidential.

## RELEVANT REGULATORY FRAMEWORK

### THE EUROPEAN CONTEXT

Directive no. 2018/2001/EU of the European Parliament and of the Council on the promotion of the use of energy from renewable sources (hereinafter also the Directive) - which recasts and repeals the previous legislation dictated on renewable energy (Directive 2009/28/EC, Directive (EU) 2015/1513 and Council Directive 2013/18/EU) - establishes a common system to promote energy obtained from renewable sources, setting a binding EU target for the share of renewables in the energy mix by 2030.

The increased use of energy from renewable sources represents in fact one of the priority objectives of the EU energy policy, as the main prerequisite for combating climate change, protecting the environment and contributing to the EU's technological and industrial leadership.

Among the measures to support environmental sustainability, the Directive identifies the promotion of agreements for the purchase and sale of electricity from renewable sources, requiring Member States to facilitate their use, by removing unjustified regulatory and administrative barriers, and to ensure that such agreements are not subject to disproportionate or discriminatory procedures.

In this perspective, the Directive promotes the use of renewable electricity purchase and sale agreements also with reference to the "Renewable Energy Communities" and "Self-consumers of energy from renewable sources", expressly providing that the Member States guarantee them the right to produce, consume, store and sell renewable energy, including through renewable power purchase agreements.

### THE NATIONAL CONTEXT

In implementing the provisions provided at EU level, the national legislator, with Law no. 53 of 22 April 2021, provided *the guiding principles and criteria for the implementation of Directive (EU) 2018/2001, on the promotion of the use of energy from renewable sources*, foreseeing, among others, the promotion of the use of tools, additional to the economic incentive mechanisms, functional to increasing the consumption of energy from renewable sources, including long-term agreements for the purchase and sale of electricity from renewable sources.

In implementing these guiding principles, Italian Legislative Decree no. 199 defined the tools, mechanisms, incentives and the institutional, financial and legal framework necessary to achieve the objectives of increasing the share of energy from renewable sources by 2030, pursuant to Directive

(EU) 2018/2001 and in compliance with the afore-mentioned directive criteria established by law no. 53 of 22 April 2021.

In particular, article 28, Italian Legislative Decree no. 199 with regard to long-term agreements for the power purchase from renewable sources - repealing the previous provisions dictated on the subject by article 18 of Italian Ministerial Decree of 4 July 2019 - established that the promotion of the instruments for the negotiation of such agreements should be organized into two successive phases *in order to ensure a gradual start of long-term renewable energy negotiations*.

A first phase, which is the subject of this consultation, in which GME, pursuant to Article 28, paragraph 1, of Italian Legislative Decree no. 199 is called to create a ***bulletin board display***, with the aim of *promoting the meeting between the parties potentially interested in the stipulation of these agreements (i.e. agreements for the purchase and sale of electricity from long-term renewable sources)*, within which is also permitted, also for the purposes of monitoring referred to in Article 28, paragraph 2, the fulfilment of the obligation to communicate data and information on long-term contracts for the power purchase from renewable sources.

A second phase, governed by article 28, paragraph 2, of Italian Legislative Decree no. 199., in which instead, *"taking into account the evolution of the long-term contract market, the liquidity of supply and demand, as well as specific monitoring reports provided by GME, the Ministry for the ecological transition can provide guidelines to GME itself, so that a platform for organised market can be developed, with voluntary participation, for the long-term trading of energy from renewable sources"*.

## FUNCTIONING OF THE PPA BULLETIN BOARD

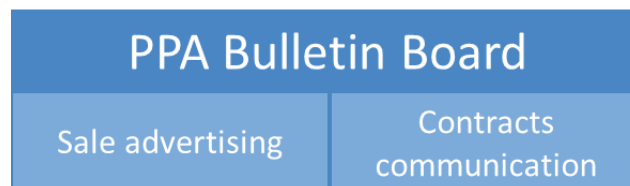
In implementing the regulatory requirements referred to in article 28, paragraph 1, of Italian Legislative Decree no. 199, GME proposes an operating model of the PPA Bulletin Board display with the main objective of promoting the meeting between the parties potentially interested in concluding long-term agreements for the purchase and sale of electricity from renewable sources.

The Bulletin Board will therefore constitute the virtual place through which potential contractors will be able to get in contact one another, and then eventually proceed, outside of it, to the stipulation of the purchase and sale agreements.

Furthermore, always in accordance with article 28, paragraph 1, GME, within the operating model of the PPA Bulletin board, will provide for a section designed to allow Participants to fulfil the obligation

to communicate the agreements for the power purchase from long-term renewable sources actually concluded.

This functionality, on the one hand, will permit to monitor the evolution of the market for long-term agreements, liquidity and supply, and, on the other hand, will provide GME, as required by the Decree, with a useful analysis tool for the preparation of specific monitoring reports to be provided to the Ministry of Ecological Transition.



The characteristics and operating principles of the proposed operating model of the PPA Bulletin Board are reported in detail below.

#### **PARTICIPANTS ADMITTED TO THE PPA BULLETIN BOARD**

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Participation in the PPA Bulletin Board will be open to all those who:

1. are interested in making contact with each other in order to negotiate long-term electricity from renewable sources outside this bulletin board;
2. must communicate, with a guarantee of anonymity, on the PPA Bulletin Board the details of the agreements concluded outside of it.

The Participants will therefore naturally consist of two distinct profiles:

- owners of generation plants (plants in operation or plants not yet in operation and which will become operational within the following three years<sup>1</sup>) powered by renewable sources, or the subjects delegated by the owners, who will use the Bulletin Board to publish proposals for the sale of energy (hereinafter: sellers) or to communicate the details of the contracts concluded;

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<sup>1</sup>See *below* "plant status" among the "MINIMUM ELEMENTS OF OFFERS (ANNOUNCEMENTS) OF SALE".

- interested economic parties on the purchase side, directly or through delegated subjects, who will be able to carry out expressions of interest for one or more offers and get in contact with the owners of the plant or with one of the subjects delegated by the latter (hereinafter: buyers), specifying, possibly and without such information being mandatory, whether or not one or both of the following conditions are met:
  1. having previously stipulated agreements of the same type;
  2. existence of a customer portfolio indicating, if so, the relative size, expressed as a multiplier of the volume of energy underlying the offer.

**Consultation suggestion no. 1** - *Do you agree with the choice of providing, as further elements of evaluation by the seller, that the Participant interested in the purchase should report in their expression of interest the existence or otherwise of the two conditions indicated above? Is it useful to require that Participants interested in purchasing should also submit purchase proposals, so that sellers, having assessed the purchasing needs of buyers, can get in contact with the latter?*

## PPA BULLETIN BOARD - OFFERS (ANNOUNCEMENTS) OF SALE



### MINIMUM ELEMENTS OF OFFERS (ANNOUNCEMENTS) OF SALE

In the absence of reference markets and liquid products, at the moment, it is not possible to establish with certainty for the Bulletin Board a level of standardisation of the relevant information that composes the offers (price, duration, profile, guarantees, payment terms, etc.) equal to that of organised markets, in which this standardisation, essential to allow trading, is defined by the Market Operator.

However, in order to make the offers published on the PPA Bulletin board to be usable and functional to the purposes pursued by the Bulletin board itself, they must satisfy a minimum level of

completeness of information and comparability that allows potential buyers to be able to make an adequate initial evaluation.

Therefore, reconciling the needs for flexibility and comparability of offers (requiring offers to standardise the information that characterises the offers themselves), the proposed operating model of the PPA Bulletin Board formulated by GME provides that the sales offers must contain at least the following information set:

- **Duration:** the minimum duration of the contract must be 5 years, with effect not earlier than the start-up date of the plant, in the case of new plants. For example, indicating with Y0 the year of the contract/start of operations of the plant, and with Y1, Y2, Y3, etc. in subsequent years, offers relating to the years Y1 - Y5, Y2 - Y6, Y2 - Y8 can be published (in the case of a duration greater than 5 years).

**Consultation suggestion no. 2** - *Do you agree with the proposal for a minimum duration of the contract equal to 5 years or do you consider it more appropriate to provide for a different minimum duration and/or starting date from those proposed? In the latter case, what is the minimum duration and/or the effective date that should be envisaged?*

- **Profile:** the delivery profile of the agreement will reflect both the standard profiles of the contracts generally negotiated on the main markets for forward products and the profiles freely chosen by the seller. This latter option, in particular, will allow Participants to also indicate non-standard profiles, which reflect, for example, profiles of expected production of the plant. It is assumed that the following profiles could therefore be envisaged: i) *baseload*, i.e. all hours of every day of the week; ii) *peakload*, i.e. the hours from 8 to 20 (from the ninth to the twentieth hour) of the days from Monday to Friday only; iii) *Pay as produced*, i.e. the profile according to which the buyer undertakes to purchase the entire production of energy at all hours and regardless of the production profile; iv) other, i.e. a non-standard profile freely specified by the seller;

**Consultation suggestion no. 3** - *Do you agree with the proposal of delivery profiles as indicated above ? If not, which profiles might be considered useful to include and for which reasons?*

- **Price:** the proposed sale price of the agreement will be expressed in €/MWh and will be unique for the entire duration of the contract;
- **Quantity:** the quantity will be expressed in MWh and will indicate the volume of energy to be sold within the duration and profile indicated in the offer;



- **Type of renewable source:** the seller must indicate the type of renewable source of the plant (wind, solar, etc.) or the types if the energy supply is obtained through two or more plants. In this case, all the following information must be provided in relation to each plant;
- **Plant status:** plant in operation or plant not yet in operation;
- **Date of entry into operation of the plant;**
- **Plant size**

*Consultation suggestion no. 4 - With reference to the size of the plant, is it considered appropriate to provide access to the PPA Bulletin board and, consequently, the formulation of offers only for plants greater than or equal to a minimum threshold? If so, what minimum size do you consider appropriate?*

- **Plant power:** expressed in MW;
- **Geographical location of the plant:** the seller must indicate the place where the plant is located, so that potential buyers can have transparent access to this information;
- **Status of the plant (to be filled in if the plant is not yet in operation):** the seller must indicate when the plant will be built and will become operational in the following years (maximum 3 years) indicating the status of the authorisation processes, such as, by way of example:
  - STMG (minimum general technical solution for the connection) acceptance prepared by the network operator and authorisation request presented to the Region/Province;
  - Intermediate interim opinion;
  - Exemption or not of the EIA procedure;
  - Convening of the first services conference;
  - VIA opinion;
  - Possible further services conference;
  - Authorisation obtained;
  - Ready to build.
- **Other information about the plant:** the seller may enter additional information aimed at specifying the characteristics of the plant that they consider useful for potential buyers.
- **Other information about the offer:** the seller may enter additional information aimed at specifying the characteristics of the offer, such as, by way of example, guarantees required from the buyer, payment conditions or other.

The responsibility for the correctness and truthfulness of the data and information relating to each sale offer (announcement) on the PPA Bulletin Board will in any case remain exclusively with the

Participant who publishes them. In fact, GME will not be, nor can it be, held responsible for any damages deriving from the use of the information on the PPA Bulletin Board, nor for the truthfulness of the information made available by the Participants through it.

**Consultation suggestion no. 5-** *Are the minimum elements of a sales offer indicated above considered sufficient or is it useful to include other elements within the minimum offer set? If so, which ones?*

#### **PUBLICATION OF OFFERS (ANNOUNCEMENTS) OF SALE**

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The offers presented by the seller operators will be made available and accessible on the Bulletin Board to the buyers anonymously, showing to the latter only the minimum information set relating to each offer.

#### **EXPRESSION OF INTEREST IN THE OFFERS (ANNOUNCEMENTS) OF SALE**

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Buyers will be able to compare the various offers in relation to each single piece of information constituting the minimum set of offers, filtering and/or ordering them (for example: offers can be filtered by geographical area, rather than by duration or profile rather than sorting by price).

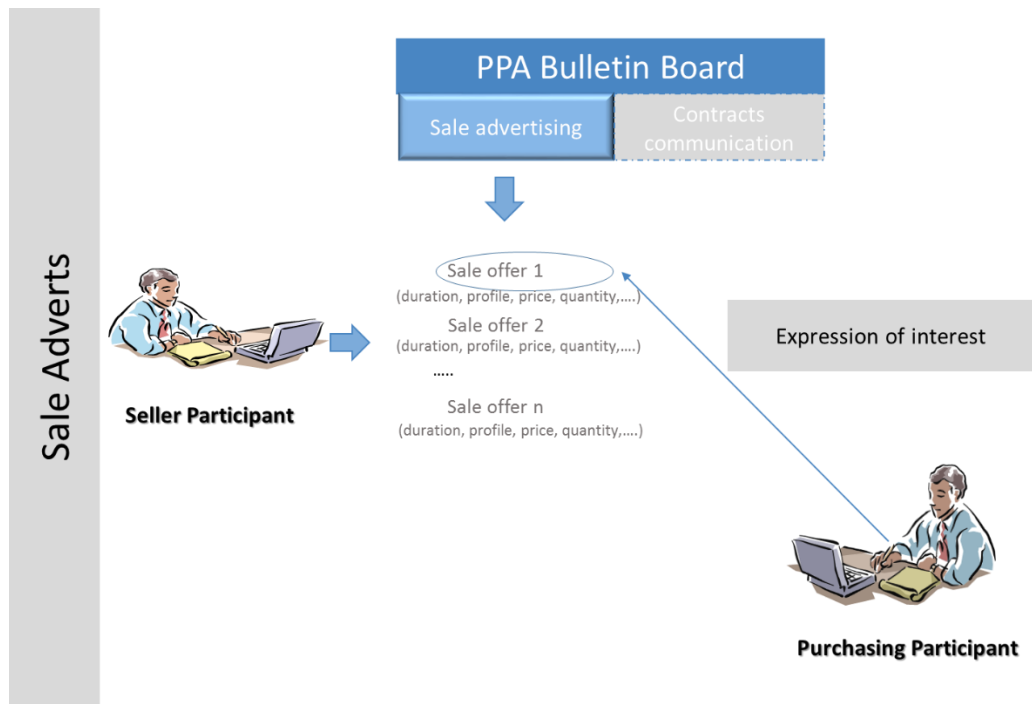
Buyers interested in an offer could select it and express interest through the PPA Bulletin Board.

Following the expression of interest, the Bulletin Board may, alternatively:

- a) provide for a confirmation from the seller, necessary to get in contact with the buyer;
- b) proceed directly to put the buyer and seller in contact one another.

It is understood that the possible conclusion of the agreement between the Participant proposing the announcement and the Participant interested in the same announcement will take place outside the Bulletin Board and in no case the announcement or the expression of interest will constitute a commitment to negotiate or conclude contracts between the Participants involved.

**Consultation suggestion no. 6** with regard to the way of communicating the details of the Participants who ask, through the Bulletin Board, to get in contact one another, which of the two solutions indicated, a) or b), is considered preferable and for what reason?



#### PPA BULLETIN BOARD - OBLIGATION TO COMMUNICATE CONCLUDED CONTRACTS



#### MINIMUM ELEMENTS OF CONTRACTS

The obligation to register the elements of the long-term contracts for the purchase and sale of electricity from renewable sources may be carried out by the selling counterparty.

The information subject to the mandatory registration are:

- **Counterparties**
- **Duration**
- **Profile:** the delivery profile of the contract;
- **Price:** the sale price expressed in €/MWh (unique for the entire duration of the contract);
- **Quantity :** the quantity is expressed in MWh and will indicate the volume of energy to be traded in each hour included in the duration and profile indicated in the offer;

- **Type of renewable source:** type of renewable source that feeds the plant (wind, solar, etc.) or the types in case the energy supply is obtained through two or more plants. In this case, all the following information must be provided in relation to each plant;
- Plant status: plant in operation or plant not yet in operation;
- Date of entry into operation of the plant;
- Plant size;
- Plant power: expressed in MW;
- **Geographical location of the plant:** the place where the plant is located;
- **Other information about the plant:** further information aimed at specifying the characteristics of the plant.
- **Other information relating to the contract:** further information aimed at specifying other characteristics of the agreement, such as, by way of example, guarantees requested from the buyer, payment conditions or other.

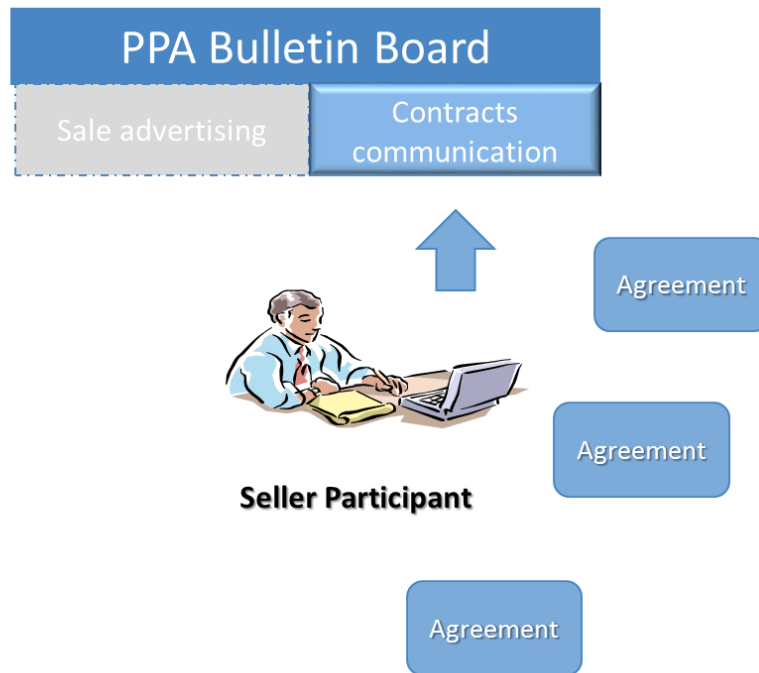
In any case, the responsibility for the correctness and truthfulness of the data and information relating to the agreements recorded by the Participants on the PPA Bulletin Board will remain exclusively with the Participant making the communication. In fact, GME will not be, nor can it be, held responsible for any damages deriving from the use of the information communicated on the PPA Bulletin Board, nor for the truthfulness of the same.

GME will maintain confidentiality on the information subject to disclosure, except in cases where the disclosure is mandated by laws, regulations or other decisions of the authorities.

GME will in fact limit itself to publishing this information, on its website, at an aggregate level according to a predetermined frequency foreseen in the Operating Rules of the PPA Bulletin Board and to use this information for the preparation of monitoring reports, according to the provisions of Article 28 of the Decree.

**Consultation suggestion no. 7-** *Are the minimum elements to be communicated sufficient in relation to sales agreements already concluded or is it considered useful to include other elements within the minimum set of information? If so, which ones?*

## Communication of concluded contracts



## RULES OF THE PPA BULLETIN BOARD

The operating rules of the PPA Bulletin Board will be included by GME in the context of a specific regulation, as well as in the relative technical implementing provisions.

In order to strengthen the effectiveness of these measures and to guarantee the correct operation of the platform, GME will provide, also in continuity with the rules on the other markets/platforms it manages, the adoption of specific disciplinary measures against Participants of the Bulletin board whose conduct should result in violation of the provisions contained in the Regulations of the Bulletin board itself.

The provisions governing the operation of the Bulletin board will be defined by GME and will enter into force with the publication on the GME's website. At the same time, these provisions will be communicated to the Ministry of ecological transition.