

Italian power sector crisis founded on conflicting energy strategies

Rome

Italy's current power sector crisis is a factor of conflicting energy strategies in recent years regarding the competing claims of CCGT power and renewable sources, the president of Italy's electricity association Assoelettrica Chicco Testa said Friday.

Speaking at the annual conference of Italy's coal association Assocarboni in Rome, Testa said renewables and CCGT are "cannibalizing each other" with modern and efficient CCGT power plants operating at minimum capacity because of the increase in renewable generation.

Testa said this was leading to a "paradox" in which consumer prices keep rising despite the overcapacity.

He said that despite wholesale electricity prices now some Eur15/MWh lower than the same period last year, electricity bills were still high as fixed costs, such as taxes and grid costs, were weighing on bills.

He said that as power demand fell in Italy, such costs were proportionally higher forcing industries to move their production to countries where electricity is cheaper.

Testa said that so far some Eur100/billion (\$1.29 billion) had been spent in subsidies to renewables and the costs of renovating the CCGT fleet.

Gianfilippo Mancini, director general of the generation and energy management division at Enel also railed against "mistakes of the past".

"[Because of the] non-timely incentive of renewables, we are now in a dramatic situation for the market, with serious production overcapacity, falling wholesale prices and rising tariffs for final customers," he said.

He said the key objectives for the sector in Italy were competitiveness, price reduction and environmental sustainability.

Speaking of the liberalization of power market in Italy, he said that "for some aspects it is a failure".

Mancini said "the attempt to create a price signal and therefore investments through the wholesale market has failed" as other costs, such as incentives, were affecting prices and adding some 25% on final consumer bills.

He said Enel had invested some Eur38 billion in new CCGT capacity in recent years to better exploit such resources which should be a key strategic objective for the country in the future.

Speaking of the goal of increasing renewable generation to 35-38% through 2020, he said it was crucial that renewables reached grid parity.

Commenting on the reasons behind the recent reduction in wholesale power prices, Mancini said coal had also contributed as coal and CO2 prices were very competitive at the moment, and the energy strategy should aim for a bigger role for coal in the energy mix.