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HEREN® UK INDICES €/MWh

March	£46.425/MWh
Day Ahead	£49.164/MWh Volume: 1817 MW
Day Ahead Peaks	£53.039/MWh Volume: 1531 MW

HEREN® GERMAN INDICES €/MWh

March	€49.899/MWh
Day Ahead	€49.351/MWh Volume: 6075 MW
Day Ahead Peaks	€52.397/MWh Volume: 6025 MW

HEREN® FRENCH INDICES €/MWh

March	€51.993/MWh
Day Ahead	€56.422/MWh Volume: 1115 MW
Day Ahead Peaks	€60.330/MWh Volume: 2900 MW

ACROSS THE MARKET: EUROPEAN DAY-AHEAD POWER PRICES €/MWh

	D+1 price	Diff D-1
1 Heren® UK D+1 index	57.28	-0.64
2 EPEX Germany	50.29	-4.41
3 EPEX France	54.48	-4.72
4 APX Netherlands	54.06	-1.87
5 Nord Pool Nordic	61.59	-1.11
6 OMEL Spain	50.28	+3.78
7 EXAA Austria	49.85	-1.04
8 PolPX Poland	48.50	-0.03
9 IPEX Italy	67.89	-5.33
10 OPCOM Romania	43.72	+0.45
11 OTE Czech Republic	43.72	-0.17
12 Belpex Belgium	54.48	-4.72

Romanian 'export tax' to increase from April

Traders active on the Romanian market are expecting to dig deeper into their pockets from April, when a new cogeneration tax kicks in, bringing the total levy they pay on electricity exported from the country to nearly €11.00/MWh.

Energy regulator ANRE has yet to confirm officially the amount of the new cogeneration tax, but market participants have told ICIS Heren that it would be pegged at around €2.00/MWh.

This means that traders will have to pay the cogeneration levy in addition to the existing basket of levies that, in effect, constitutes a €7.00/MWh export fee, as well as a €2.24/MWh transport tax introduced earlier this year. Sources active on the Romanian market said the tax, which is expected to kick in on 3 April, could deter dealers from actively trading the market. ANRE did not return calls seeking comment on Wednesday.

However, some sources argued that the tax would be short-lived, as it did not comply

with the principle of free trade. "I think these export fees will not be around for more than three years," a Romanian market participant said.

"This is clearly in violation of the EU's laws and aims that the EU is pushing for the single European market."

A source from ANRE told ICIS Heren in December that Romania had renewed talks about a potential market coupling with Hungary and Bulgaria (see *EDEM 1 December 2010*). The market participant estimated that prices for Q2 '11 and further out would be bearish as a result of this tax.

"I think it will make it more difficult to export power out of Romania, which means most of the power will stay in Romania, and that would push prices down."

Others agreed that the increase in export tax will have a bearish impact on prices. One suggested that generators would have to lower the prices for power to enable power flows out of the country. [» Page 13](#)

Work on extra France-Spain link to begin this summer

Work is expected to begin on the French-Spanish interconnector on 1 July 2011, a spokesman from French grid operator RTE told ICIS Heren on Wednesday.

The work on the power line is expected to conclude by the end of 2013, with testing on the cable during early 2014. The interconnector will come online as scheduled in mid-2014, added the spokesman.

Red tape

The interconnector has seen years of delays stemming from environmental concerns and bureaucracy on both sides of the border. The interconnector will increase capacity between

the two countries from 1.4GW to around 2.6GW (see *EDEM 6 May 2010*).

The delays have been attributed to lengthy authorisation processes either side of the border. In December, the project received environmental authorisation (DIA) in Spain and is now awaiting administrative authorisation. "They expect to have administrative authorisation by the end of the 2011 summer holidays in Spain," said the RTE spokesman.

In France, the project is still awaiting authorisation from the country's energy ministry. "We could have this in April, possibly by March," said the spokesman.

He added that receiving authori- [» Page 13](#)

FOR THE RECORD

Czech Republic achieves 2010 renewable targets

In 2010, an estimated 8% of electricity in the Czech Republic came from renewable power sources, according to local media reports. This was in line with its national target for renewable power generation.

The ministry of industry and trade reportedly said that renewable power generation was boosted in particular by biomass, which accounted for 1.8% of generation, and hydro power, with an estimated 4.2%.

An additional 0.8% came from solar generation. No figures for wind generation were given, and the ministry was unavailable for comment. However, an estimated of 2.3GW of solar power was due to come on line at the end of February, according to the Czech transmission system operator CEPS (see *EDEM* 14 January 2011).

According to data from Czech energy regulator URE, only about 4.1% of generation came from renewable sources in 2009. The Czech Republic aims to have 13% of its power generation come from renewable sources by 2020.

Turkish competition body to approve grid deal

The Turkish competition board is set to approve a €2.14bn bid from MMEKA, a Turkish electricity partnership, for the acquisition of a distribution grid it won at a tender last year, according to local reports.

MMEKA and partner Is-Kaya Insaat won the tender for Turkey's biggest distribution line, the Bogazici network on the European side of Istanbul.

However, the winners were reportedly referred to the competition board last August because the companies involved in the bidding process had family ties.

The regulator is now reportedly set to approve the takeover as well as MMEKA's acquisition of Ayedas, the grid on the Asian side of Istanbul. The competition board could not be contacted for comment.

Italy's February demand slips year on year

Italian power demand for February amounted to 26.1TWh, 0.7% less than its level in the same month last year, grid operator Terna reported on Tuesday.

National production totalled 22.2TWh last month, down 2.5% year on year and enough to satisfy 84.4% of demand. Thermoelectric generation slipped 1% and wind power dropped 12%, while geothermal output rose 5.9% and solar energy surged 115.5%.

Without the effects of the lower average temperature this year, demand for February was actually 0.8% below the February 2010 total.

Overall, demand for January and February 2011 edged down 0.7% compared with the same period last year.

Italy's Acquirente Unico looks to grow market share

Italy's Acquirente Unico (AU) could expand its market share in Italy as liberalisation lags behind, market observers suggest.

AU started as a temporary agency charged with keeping Italian end-user power prices down until liberalisation set in. It has become a permanent fixture on the market. Four years after liberalisation started, the agency is now looking at ways of expanding in both the electricity and gas sectors.

When the law to liberalise the Italian power market took effect in July 2007, state-owned AU said that it expected to continue supplying households for at least a few months, until customers started switching suppliers (see *EDEM* 9 May 2007).

AU holds auctions to buy power at the lowest possible price. It then gives the electricity to distributors who must supply it to AU's customers, known as "protected" clients, at a price that only covers operational expenses. The portion of protected customers has dropped from 37% in 2007 to 27% in 2010, making the share of customers supplied by the liberalised market 73%.

Even if the portion of customers who switch to the liberal market continues to rise, however, AU shows no signs of fading away.

"[AU] is more solid now," said Davide Tabarelli, president of the energy research firm Nomisma Energia. "It is important for keeping the final tariffs lower, to some extent."

Last year, AU launched an internet-based auction system (see *EDEM* 18 November 2010), aiming to drive down the price of its auctions and draw more bidders. AU is also active in that market as the provider of last resort for protected customers who involuntarily find themselves without gas.

The agency last year named Eni Gas & Power and Enel Energia the "vendors of last resort" for Gas Year 2010, which runs from October 2010 to October 2011. The companies are charged with providing at least 30 million cubic metre of gas (see *ESGM* 21 September 2010).

Moving further into gas?

While the law liberalising the Italian gas market did not specifically direct AU to supply gas for households, it does leave open the possibility that it could do so in the future, as long as there is the political push for it.

Liberalisation has moved much more slowly on the gas side than in the power sector, as regulated tariffs for households and small business continues to edge up for gas and down for power.

Residential and business gas tariffs climbed 1.3% for 2011, while power prices slipped 0.2% (see *EDEM ESGM* 15 December 2010). Incumbent Eni still controls about 60% of the

market, compared with Enel's diminished grip of about 30% in the power sector.

"Because the market is bounded by the activities of certain market participants – particularly Eni – and long-term contracts, at the end of the day, whenever a company has to purchase gas and sell it to final customers, of course the price is not the best," an industry representative and former government official told ICIS Heren.

About one third of the final gas consumption in Italy comes from households and small businesses, the representative said.

"So for this part of final consumption, I think that having Acquirente Unico look at the gas market could be useful," he said.

However, the representative and others argued that AU's presence may not need to expand, given energy authority AEEG's regulation of gas tariffs and various new measures aimed at breaking up Eni's market share and supporting smaller operators.

According to Tabarelli, "They are already acting as the gas supplier of last resort."

Holding steady in power

The Italian power market has slowly grown more competitive and liquid in the decade since the first steps began, but the sector is still not entirely liberal. Electricity prices are still heavily influenced by the price of oil and remain well above levels on other European markets, experts noted.

Traders, however, argue that as long as AU is present in the market, it will keep prices below market value, preventing competition.

"Acquirente Unico's auctions aren't very interesting for sellers because the price is too low," said one trader. "And why would a client want to switch away from the protected market to the liberal market if prices are lower?"

But others counter that without AU's presence, large operators such as Enel would be able to keep prices higher. "It's true that in the medium and long-term, the presence of AU in the electricity market could not be proper for a liberal market," the industry representative said. "But could you imagine not having AU in the market? Without AU again the problem would be, who takes into account the household interests?"

As a result, AU appears to be growing. The agency is reportedly considering funding the country's development of nuclear power through long-term contracts that would transfer the cost to final customers over periods of 20–30 years, Tabarelli said.

However, this measure would meet opposition from market participants. "So this would block the price for 20 to 30 years, and then what happens after that?" said one. **SS**