

GME consultation 01/2020 on the PPA Platform



EFET response – 14 February 2020

The European Federation of Energy Traders (EFET¹) welcomes the opportunity to provide our comments to the consultation 01/2020 on the market platform for long-term trading from renewable sources (PPA Platform).

We believe that the PPA Platform could in principle be a functional tool for few of the projects and encourage the development of the PPAs market in Italy as long as its design responds to actual market needs.

PPAs are already an existing form of contract between two counterparts for the purchase of the electricity production. We acknowledge their vast potential in facilitating the market-based development of further RES capacity. Therefore, we agree with the proposal to make the participation to the GME platform voluntary.

Further information is welcome to understand the proposed mechanism and its impacts on the free negotiations, including details on the standard contracts and the possibility to participate for plants not yet authorised.

We highlight that EFET is very active in promoting the PPAs' uptake: we have developed our EFET standard Corporate Power Purchase Agreement (CPPA)² available for free to all market participants. As for the already existing EFET Master Agreement, which stipulates the conditions upon power and gas contracts of purchase/sale negotiated bilaterally, the CPPA standard is already providing for legal certainty and ensuring smooth operational processes.

The standard contains credit clauses enabling the management of counterparty risk. The EFET CPPA standard has been translated into Italian, Spanish and Polish, accompanied by Guidance Notes specifically developed for the Italian, Spanish and Polish PPA markets. The standard agreement provides the corporate buyers and renewable energy producers with the necessary tools to address regulatory uncertainty and minimise credit and counterparty risks. The CPPA standard is already playing an essential role in unlocking both new renewables projects in several Member States and the potential of corporate sourcing in different countries.

Overall, EFET is one of the most appropriate stakeholders to be involved in future discussions and we will be happy to provide our expertise on the subject.

Below we have provided our feedback concerning the characteristics of the system and credit risk as well other miscellaneous comments.

¹ The European Federation of Energy Traders (EFET) promotes and facilitates European energy trading in open, transparent and liquid wholesale markets, unhindered by national borders or other undue obstacles. We build trust in power and gas markets across Europe, so that they may underpin a sustainable and secure energy supply and enable the transition to a carbon neutral economy. EFET currently represents more than 100 energy trading companies, active in over 27 European countries. For more information: www.efet.org

² Please see: <https://www.efet.org/standardisation/cppa/>

Operatori ammessi alle negoziazioni / Market players admitted to negotiations

As far as the negotiations are concerned, we believe that the system should remain open and be based on voluntary participation to ensure the free negotiation of the stipulating parties.

At the same time, we stress that PPAs are market-based instruments that do not necessarily need any particular regulation or intervention. Involvement of a state entity as a counterparty or guarantor to these contracts may not be necessary.

Guarantee Scheme / Credit Risk

In case of insolvency of one of the two counterparts you may refer to the Italian Legal Opinions on the EFET General Agreements. In this context we note that the proposal leaves parties exposed beyond the next following delivery year. As the trades are anonymous this means that sellers would have no way to keep their longer-term credit risk under check.

Final Comments

We appreciate the Ministry and GME's effort to promote PPAs' uptake in Italy, as we acknowledge their vast potential in facilitating the market-based development of further RES capacity and the decarbonisation of the energy industry and we would be happy to engage with you on the matter further in the future.