



## **Guarantees of Origin Trading in Italy**

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**RECS International – Italian Seminar**

- **Updates on the Italian legislative framework concerning:**
  - ✓ **Guarantees of Origin**
  - ✓ **Disclosure**
  - ✓ **Green Offers**
- **Future development of Italian EECS system**
- **Expected impacts on the Italian RECS market**

## The current legislative framework

### European Union

Directive 2009/28/EC - art.15

### Italy

- Legislative decree No.28/2011 - art.34
- Ministerial Decree of 6<sup>th</sup> May 2012 - art.31

**The Legislative decree no.28 of 3<sup>rd</sup> March 2011 has transposed the 2009/28/EC Directive into the Italian legislative framework**

## **With regard to Guarantees of Origin:**

- ✓ The decree recalls to a further ministerial decree to **update the procedures of issuing, recognition and use of GOs** in accordance with the dispositions of art.15 of RES directive
- ✓ It also states that **GOs** issued according to the above procedures **will only be used** by electricity suppliers **for disclosure purposes**

**On 6<sup>th</sup> July 2012 the Ministerial Decree introducing new support schemes for renewable energy sources other than PV was issued**

**It also defines rules on *Guarantees of Origin* and on the composition of energy mix sold by electricity suppliers to their customers (Art.31):**

- ✓ GSE was asked by the Ministry of Economic Development to **make a proposal procedure including qualifying RES power plants, issuing and transfer GOs as well as recognizing and using of GOs** Art. 31 (1, 2)
- ✓ GO issued according to the above procedure will have the sole purpose of disclosure Art. 31 (1)
- ✓ **GSE**, limited to some kinds of RES power plants, **will issue and automatically transfer to its own account (free of charge) GOs** related to the corresponding electricity produced and injected into the grid Art. 31 (3)
- ✓ It foresees that the **Regulator shall update rules related to “green offers”**, if necessary, in accordance with the dispositions provided in Art.31 paragraphs 1, 2 and 3 Art. 31 (4)
- ✓ Starting from the 2012 disclosure year, **it abolishes the link between the number of GOs imported/used in Italy and the electricity actually imported** Art. 31 (5)

**GSE, according to the Decree of 6<sup>th</sup> July 2012, has sent a proposal procedure for qualifying RES power plants and for issuing and transfer GOs to the Ministry within 90 days after its the entry into force**

## **The procedure is currently under the Ministry evaluation**

- ✓ The proposed procedure simply **revises/renames the current CO-FER** (Certificate of Origin for Renewable Energy Sources) system by providing the switch from it to the new GO system fully complying with art.15 of RES directive.
- ✓ Once the Ministry will formally approve the procedure, **GOs will replace CO-FER** (presumably this will happen by the end of this year in order to be able to issue GOs starting from January 2013).

## The current legislative framework

### European Union

- Directive 2003/54/EC - art.3 (6)
- Directive 2009/72/EC - art.3 (9)

### Italy

- Law No.125/2007 - art.1 (5)
- Ministerial Decree of 31st July 2009
- Legislative Decree No.28/2011 - art.34
- Ministerial Decree of 6<sup>th</sup> July 2012 - art.31

**On 31<sup>st</sup> July 2009 was issued the so called “*Fuel Mix Disclosure Decree*”**

**The decree provides dispositions on how electricity suppliers are obliged to specify in or with the bills and through any promotional material made available to final customers:**

- ✓ **The contribution of each energy source to the overall fuel mix of the supplier over the previous two years;**
- ✓ **Information on the environmental impact**, in terms of at least CO<sub>2</sub> emissions and the radioactive waste resulting from the electricity produced by the overall fuel mix of the supplier over the preceding year.

**The decree introduced the Certificates of Origin for Renewables (CO-FER)**

- ✓ **CO-FER is the sole tool to be used by electricity suppliers to disclose RES quota in energy mix**
- ✓ **GSE is responsible for managing the CO-FER system**



**GSE is responsible for managing both the GO/CO-FER and Disclosure systems in Italy**

**Within its role, GSE performs the following activities:**

- ✓ **Qualifies RES power plants**
- ✓ **Issues CO-FER** to RES electricity injected into the grid according to measurements received by the responsible grid operators
- ✓ **Manages a reliable system for transferring CO-FER** from producers to suppliers avoiding double counting
- ✓ **Calculate the National residual mix** (meaning the composition of energy mix used for the production of electricity fed into the Italian electricity system in the previous two years) and **each supplier's residual mix** (meaning the composition of energy mix used to produce electricity sold to their customers during the previous two years)

## CO-FER compliance with requirements of RES Directive

Each COFER specifies the following minimum information required by art.15.6 of RES Directive:

- ✓ The **energy source** from which the energy was produced;
- ✓ The **start and end dates of production**;
- ✓ The **identity, location, type and capacity of the installation** where the energy was produced;
- ✓ **Whether and to what extent the installation has benefited from investment support, whether and to what extent the unit of energy has benefited in any other way from a national support scheme, and the type of support scheme**;
- ✓ **The date** on which the installation **became operational**;
- ✓ The **date and country of issue** and a **unique identification number**.

**It is expected, by January 2013, the CO-FER system to switch to a GO system complying with art.15 of RES directive**

# Transition from CO-FER to GO



<b>CO-FER</b>	<b>GO</b>
<i>12 months lifetime rule</i>	
Certs issued to Year X production can be used until 31 <sup>st</sup> March Year X+1	GOs can be used within 12 months from the production of the corresponding energy unit and no later than 31 <sup>st</sup> March of the following year
<i>Certificates automatically transferred to GSE (free of charge)</i>	
<p>Certs issued in relation to RES power plants which:</p> <ul style="list-style-type: none"> <li>• Benefit from “net metering”;</li> <li>• Grant feed-in tariffs (CIP/6);</li> <li>• Have already been qualified by GSE for different purposes (e.g. to benefit from any kind of incentive or service granted and provided by GSE) and in relation to which no CO-FER has been issued within 30<sup>th</sup> September each year.</li> </ul>	<p>Certs issued in relation to RES power plants which:</p> <ul style="list-style-type: none"> <li>• Benefit from the “simplified purchase and resale arrangements”;</li> <li>• Benefit from “net metering”;</li> <li>• Grant feed-in tariffs.</li> </ul>
<i>Import</i>	
Linked to the physical flow of electricity imported ( <u>not valid anymore for 2012 disclosure year</u> )	Expected not to be linked to the physical import of electricity anymore
<i>International transfers</i>	
Not possible	Connection to AIB HUB foreseen by 2013
<i>Link to RECS</i>	
Alternative	Support of RECS as an additional attribute ( <u>under discussion</u> )

## Regulator's resolution No.104 of 28<sup>th</sup> July 2011 governs green offers

The resolution is intended to promote transparency of contracts whereby electricity suppliers sell electricity produced by RES power plants to their customers

- ✓ It states that disclosure of green **electricity sold under contracts signed from 1<sup>st</sup> October 2011 onwards will have to be based exclusively on CO-FER**
- ✓ A **transition period is foreseen** in the sense that for all contracts that were signed before that date, green attributes can be based on other tracking instruments: voluntary certificates, e.g. RECS, for the whole duration of the contract
- ✓ **GSE is responsible for verifying the compliance of electricity suppliers to the Regulator's dispositions**
- ✓ **The resolution introduces an "auction system"** whereby GSE can sell CO-FER hold on its own account to market operators
- ✓ **Revenues** deriving from the auctioning of CO-FER **are used to reduce the onus sustained by electricity consumers** to promote renewable energy in Italy
- ✓ **A Bilateral Contracts Platform and a Certificates Market Exchange Platform have been put in place and managed by GME** (energy exchange operator)

**The Italian GO system will be connected to AIB HUB by 2013**

**International trade of Italian certificates will finally be guaranteed**

- ✓ **RECS and GOs will not be alternative anymore**
- ✓ **GOs will support RECS as an attribute, but it will not be possible to issue a “RECS only” certificate anymore**
- ✓ **The same expiry rules will apply to both GOs and RECS**
- ✓ **The same issuing rules will apply to both GOs and RECS (e.g. certificates will be issued to RES electricity produced and injected into the grid)**

## Transition to an EECS Italian registry including both GOs and RECS

Once AIB membership of GSE will be accepted and the Italian system will be in compliance with EECS rules and HUB transfers protocol Italian market operators will be able to:

- ✓ **Ask for issuing of EECS-GOs for RES and, under specific conditions, RECS certificates to electricity produced from 1<sup>st</sup> January 2013 (only for producers)**
- ✓ **Import foreign EECS-GOs to be used for disclosure purposes in Italy**
- ✓ **Cancel EECS-GO for disclosure purposes (only for electricity suppliers)**
- ✓ **Export Italian GOs**
- ✓ **Import and export EECS-RECS (even “old” ones)**
- ✓ **Transfer within the Italian registry “old” RECS certificates still available in the market**
- ✓ **Cancel EECS-RECS**

**Issues still need to be resolved with regard to the impact of international certificates trading on the current structure of GME’s platforms for exchanging GOs**

## A “natural” phasing-out of RECS certificates can occur due to:

- ✓ **Increased legislative certainty for use of GOs** compared to the previous CO-FER system
- ✓ **Increasing convergence of the Italian system with other EU countries**
- ✓ **International exchange of GOs** which represents the main reason for having RECS still in life
- ✓ The **difficulty to trade the “RECS added value”** on the market due to the current structure of GME platforms established for trading CO-FER/GO certificates within the Italian domain

*Thank you for your attention!*  
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