

## SMALL AND MEDIUM SIZE WIND SYSTEMS

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The "Budget law 2008" (on line on [www.mef.gov.it](http://www.mef.gov.it)) has introduced interesting news in the field of small-scale wind power.

It has been simplified the authorize procedure for the wind generation systems with the capacity to produce less than 60 kW of electrical power, authorizable now just with a declaration of "Inizio Attività" (Activity Start), to be submit to the municipality of reference.

Several methods of providing incentives for the use of renewable sources have been adopted by the Italian legislator over the years:

### The latest- "CONTO ENERGIA" ENERGIE ACCOUNT

This particular type of incentive, based on the feed-in tariff system, dedicated to photovoltaic plants.

They can enjoy, as an alternative to the green certificates, a subsidised tariff paid by the GSE for each unit produced. The tariff is paid for 20 years from the start of the commercial operation of the plant and its amount varies depending on its characteristics (whether on the ground or totally or partially integrated with a building). The incentive is available up to a global maximum amount of 1200 MW installed, of which approximately 63 MW have so far been installed, hence leaving space for the foreseeable growth of investments in this field.

### BUDGET LAW 2008 NOVELTIES:

The most significant changes are the following. They are to be further detailed and clarified based on the rulings and resolutions of the relevant ministry and authority:

- the incentive is differentiated based on the type of renewable source used;
- IAFRs with a production not exceeding 1 MW may enjoy, at the request of the producer, a simplified incentive as an alternative to the green certificates, consisting of a subsidised tariff; and
- no energy subsidy is applicable to those plants that started their operation after December 31 2008 if they have enjoyed other types of public subsidy.

The green certificates regime has been partly revised as follows:

- the duration of the new green certificates is extended from 12 to 15 years;
- the GSE may issue for its own use green certificates of an amount equal to the amount of renewable energy purchased by the GSE under the CIP6 scheme, as well as for other reasons such as to offset fluctuations in the annual production of renewable energy or insufficient offers of green certificates on the market (but subject to certain reconciliation obligations every three years).
- From 2008, the GSE may sell such certificates on the electricity market at a price per MWh equal to the difference between: (i) a reference value, initially set at €180/MWh (\$257/MWh); and (ii) the yearly average price at which IAFR plants sold electricity to local network operators during the preceding year, to be assessed by the Authority for Electricity and Gas (AEEG). The reference price may be altered every three years by the GSE in order to ensure a remuneration of the investment adequate to provide an incentive for the development of renewable energy.
- On the other hand, should the total offer of green certificates exceed their demand on the market as a consequence of a failure to increase the renewable requirement, the GSE is obliged every year to purchase any unused green certificates at a price equal to the average price of green certificates recorded on the electricity market during the preceding year.
- The following table illustrates the most significant changes introduced by Budget Law 2008 and its connected law.

## **SALE OF RENEWABLE ENERGY**

Another form of incentive for the production of renewable energy is offered by the ways in which it can be sold, as follows.

- Directly, by way of sale on the electricity market or, by a bilateral contract, to a gross dealer. The disadvantage, constituted in this case by a complex selling process, is often compensated by a higher price. A disadvantage in financial terms includes, in particular, the necessity to enter into transport and dispatch agreements with the operator of the national grid (TERNA) and possibly with local distributors and to provide the relative collaterals to secure performance, as well as the complex management organisation required for the trading of the energy produced.
- Indirectly, by way of a sale to the GSE, in conformity with AEEG Resolution 280/07 (so-called dedicated withdrawal), irrespective of the grid to which the relevant plant is connected and that of its purchaser. The advantage for the producer is the simplified process of sale, dispatch and transport, all of which is regulated by a power purchase agreement with the GSE. The price is the average price on the electricity market at the time (hour) of the producer introducing the electricity into the grid. For newcomers to the market and for small producers, there is no doubt that this constitutes an extra incentive for the production of renewable energy.