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Italy to erode its reserve margin in a couple of years



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London, 17 April (Argus) – The decommissioning of conventional power plants will result in a gap between controllable power capacity and peak demand over the next two years, energy consultancy Althesys said.

The firm pointed out that thermal capacity has been falling in recent years and that the process is going to be exacerbated by the renewable targets that Italy aims to achieve by 2030. The country will erode its reserve margin – the difference between available capacity and peak demand – completely by 2021 at least over the summer period, Althesys said.

Grid operator Terna repeatedly pointed out that developments of renewables has narrowed the reserve margin. The TSO has called for – among the other things – a rapid introduction of a capacity market scheme. Available capacity fell to 58GW from a peak of 77GW in 2012-13, narrowing the reserve margin to around 7GW in 2018 from around 25GW in 2013-14, it said [recently](#).

The situation is forecast to improve from 2026 when more than 5GW of new gas-fired power generation capacity should come on line to replace 8GW of coal-fired capacity that Italy wants to [phase out](#) completely by 2025, Althesys said. This, along with more than 3GW of storage capacity should reduce the deficit to 1GW in a summer with average weather conditions, it said.

But the firm estimated that a further 8GW of thermal capacity will be decommissioned by 2030 as plants reach the end of their life cycle. This will take additional gas and storage capacity necessary to avoid adequacy risks for the system to 8GW and more than 4GW, respectively, Althesys said.

Italy plans to raise the share of power demand covered by renewable sources to [55.4pc](#) by 2030, which will require increasing installed renewable capacity by almost 75pc to around 93GW. This would also pose a greater risk of times when renewable power supply exceeds demand, which has already occurred in 2018 in the south, Sicily and Sardinia market zones, Althesys said. This will require investments both in internal and external grid interconnections such as Terna has announced since its 10-year development plan in 2018. Import and export capacity were scheduled to [increase](#) by around 63pc and 124pc, respectively, the grid operator said.

Excluding imports from foreign countries, the reserve deficit in summer months will be around 7GW in 2030 even if the amount of additional capacity was installed, Althesys said. Italy already depends on imports to meet peak demand, making national security of power supply subject to foreign countries' economic convenience, Terna's head of strategy, development and system operation, Luigi Michi, said [in September](#). The country would require additional gas-fired capacity of 3.3GW to have a reserve margin of around 4GW, Althesys said.