

The Italian capacity remuneration mechanism: critical review and open questions

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Abstract— Italy is currently implementing a Capacity Remuneration Mechanism (CRM) in a power sector that is paradoxically characterised, at least for the time being, by a significant overcapacity. This article aims at building a critical review of the Italian CRM design. It first presents the Italian context, explaining how the discussion started more than a decade ago and how it evolved since then. Then, it provides an in-depth description and critical analysis of the mechanism under proposal, based on its main design elements, keeping always as a reference the guidelines issued by the European Commission on CRMs. Many valuable lessons can be extracted from the Italian experience to shed light on other similar processes currently under development.

Index Terms— Capacity remuneration mechanisms; System adequacy; Flexibility; Reliability options; Design elements; Italy

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Citation:

Mastropietro, P.; Fontini, F.; Rodilla, P.; Batlle, C.; "The Italian capacity remuneration mechanism: critical review and open questions", Energy Policy, vol.123, pp.659-669. December, 2018.