

Italy's next renewables auction may deliver even worse result

The poor outcome of Italy's recent auctions for large scale solar suggests that the next tender will have similar results. **pv magazine** has spoken with two major experts from the Italian PV sector who claim that a change of pace is required, hinging on a streamlined authorization process, more competition and a focus on agricultural land.

FEBRUARY 10, 2021 **SERGIO MATALUCCI**

MARKETS UTILITY SCALE PV ITALY



In Italy's fourth renewables auction attracted a lowest bid of €0.06819/kWh.

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Italy's last three renewables tenders for projects exceeding 1 MW went under-subscribed, with prices following an upward trend, in stark contrast with the Spanish case. According to several experts and analysts, the Italian procurement exercises are a "fiasco" because of the lack of authorizations and the difficulty to obtain favorable land – usually agricultural, plus Italy's convoluted bureaucracy.

All these elements might bring about even worse results in the ongoing, 700 MW, fifth tender round. "Honestly, I expect even worse results," Mauro Moroni, chief executive of Moroni & Partners, a provider of engineering services to energy plants and part of the Kiwa Group, told **pv magazine**. Gianluca Biagio Biscotti, founder of the engineering consulting firm BFP, shared Moroni's bleak perception of the next tender.

"In fact, a number of significantly lower requests than the quotas available is also expected for the next auction sessions. Therefore, in excess of supply, operators will keep the prices offered very close to that of the starting price of €70/MWh," he told **pv magazine**.

According to Moroni, the bleak scenario has mainly to do with the lack of appropriate locations. "The plants eligible for the tender are essentially those on industrial land, which are few and generally of limited power. As a result, auctions have faced, and will face scarce participation again. To be clear, only 356.8 MW were requested for large plants, compared to the 1,374.1 [MW] available."

In Italy's fourth renewables auction, the procurement exercise's lowest bid came in at €0.06819/kWh and was submitted for a 10 MW solar project.

Comparison with Spain

While the Italian energy agency (GSE) was announcing the results of the fourth renewables auction, Spanish authorities awarded about 2.04 GW of PV and 998 MW of wind capacity, out of a total allocation of approximately 3.03 GW. The average price for solar was €0.02447/kWh, less than half the Italian price.

“The contemporaneity of the fourth GSE auction with the Spanish auction dramatically highlighted the Italian flop. The last Spanish auction closed with requests for three times the power of the available quota. The Italian one has allocated about a quarter of the available quota,” said Biscotti. The point is that, given the low demand, competition on the tariffs is very limited. “Professional operators are aware of the authorization situation in Italy, and clearly know that they do not have to make great efforts to access incentives. Even in this auction, the energy prices for photovoltaics are significantly higher than those of the first auction,” explained Moroni.

On the other hand, according to him, Spanish rates are theoretically possible also in Italy. “It will be possible to obtain rates comparable to those in Spain if access to auctions is also allowed for plants installed in agricultural areas,” Moroni told **pv magazine**.

Given Italy's attention to sustainability, alternative solutions with marginally higher opex and capex could also be considered. For instance, Moroni mentions the construction of agro-photovoltaic plants equipped with storage, or a portion dedicated to green hydrogen or green mobility.

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Reasons for the poor performance

The shortage in authorized projects on industrial land and the unavailability of agricultural areas are the main reasons for the “flop.” This outcome is strongly connected, according to experts, to a convoluted bureaucratic system.

“The Italian bureaucracy is the reason for a very high death ratio for authorizations, causing delays on the authorization. In practice, authorization times are double or triple compared to what is stated in the law. There can even be cases of up to 10 years. Let me give you an example: As BFP, we have been operating on the market for almost 20 years, nevertheless, we have in our portfolio a simple 1 MWp PV project in Puglia in an unconstrained agricultural area

regional administrative court (one still pending) and two to the appeals court (one still pending) – all won – it has not yet been authorized up [to] today. And it is a small, 1 MWp plant. Just imagine what can happen to large photovoltaic or wind farms similar to the Spanish ones,” elaborated Biscotti.

Solutions

A possible solution is the simplification of the authorization process. Experts also call for some incentive mechanisms for civil servants and authorities, to prevent the mistaken rejection of projects. This highly political reform would require a solid government, with ministries collaborating on new laws and new licences. Other measures, other tweaks, could help too.

“A sort of change of perspective would be needed. For instance, instead of the unsuitable areas established in 2010, it is suggested a definition [should be made] of the suitable areas in which the PV and wind power plants should be authorized in a fixed time, unless there are concrete and proven, serious reasons [against], to be defined by the public administration. By decreasing bureaucratic obstacles, not only will authorizations on the market increase but development costs will decrease, with a direct reflection on the price of energy which, in our vision, in Southern Italy, will have no difficulty in falling to €40/MWh,” concluded Biscotti.

According to Alberto Pinori, president of ANIE Rinnovabili, the authorization problem that afflicts PV and wind, mainly for “landscape reasons,” can hardly be remedied in a short time because the authorization processes have long time frames. “A political intervention is needed if we want to try to remedy it in the immediate future. The lack of projects is reflected in the formation of the price offered,” he wrote, to **pv magazine**.

ANIE Rinnovabili agrees on the need to change gear, explaining that the number of new installations is far from that required to reach the 2030 objectives.

But there are silver linings.

“The 2020 PV data comfort us: In the first ten months, we installed ... 25% [more] new power, compared to 2019, despite the pandemic. We have, however, recorded [a block on the] authorization ... of utility scale plants – for which most operators are developing business plans in market parity.”

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