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TRADING

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Italian traders urge Picasso price clarity, cite risks

(Montel) Italian traders urge clarity in cross-border price settlements generated by the Picasso algorithm used by four European nations to balance grids more efficiently, citing risks caused by recent price spikes.

Reporting by: [Alina Trabattoni](#)

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Forecasting price movements accurately based on available TSO data is currently unfeasible, they said, with many signalling the risk of being caught short with the large price oscillations that have become frequent.

“There isn’t all the information or the data needed to understand how prices are settled,” said Gabriele Franze, Italy country manager at Inxieme Energia.



TSOs operating on Picasso receive bids and offers from balancing service providers, with demand and existing capacity also simultaneously submitted to the platform used in Germany, Italy, Austria and the Czech Republic. The Picasso algorithm then matches demand with supply.

Delays, lack of granularity

Many traders in Italy claim that delays in data publication and a lack of temporal granularity in this information make it impossible to accurately forecast price changes.

“A half hour delay in publication is too late to allow accurate forecasting... delayed publication means that you are always responding to past events,” said Jean-Paul Harreman, director of EnAppSys – which is part of the Montel Group.

“Keeping an eye on cross-border trading capacity and fundamentals of the neighbouring markets helps, but some uncertainty will always remain, unless publication delays are removed and data transparency is synchronised across sources,” Harreman said.

Overall, the clearing results generated by the algorithm are not entirely consistent with market trends or with the actions of the various operators or TSOs on the markets, Franze noted.

In October, Italian energy regulator Arera launched an investigation initially announced as due for end-January completion into the ongoing price oscillations. A spokesman for the regulator this week told Montel the investigation was still ongoing.

“It’s reassuring the authority identified the same issues traders had flagged,” said Franze.

"Shocking" price spikes

“The spikes we are seeing are shocking,” said Diego Pellegrino, trader and CEO at Eroga Energia.

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Until a few years ago, having some EUR 500/MWh off balance would be almost a market anomaly, said Edoardo Volponi, COO of Inxieme Energia.

However, in the first weekend of February, prices on Italian TSO Terna's data portal plunged from EUR -3,000/MWh on Saturday to EUR -5,000-6,000/MWh on Sunday, he added.

The peaks and troughs are such that “even just a few forecasting mistakes per month affect margins” substantially, said Volponi. "It’s a big risk. If not solved, extra costs will be transferred to final clients, or otherwise some operators will go belly-up."

Picasso will ultimately be rolled out to 24 European countries, though the “more we go towards further integration with additional countries, the less this becomes a manageable situation” as things currently stand, Pellegrino said.

Terna and European TSO group Entso-e were not immediately available to comment when contacted by Montel.

Edited by: [Enza Tedesco](#), [Jeff Coelho](#)

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