

Higher demand curves revitalize the CM by unlocking additional contractable volumes, with benefits varying by zone

CM 2028 main updates



Auction timing: MASE has requested that the auction be held after the second MACSE auction (24 Nov 2026), supporting MACSE capacity procurement and easing competitive pressure from the CM.



Demand increase: Demand curves move up, led by the North (+1.8GW CDP), with limited changes elsewhere. Capacity needs increase slightly, while a more inelastic curve boosts value at existing prices.



Derating factors revision: BESS derated capacity declines across zones. 4h BESS rating drops range from -13p.p. (C. South) to -36p.p. (Sicily & Sardinia) from a starting point of 67%, as growing saturation reduces marginal capacity value.



Interzonal NTC limit revision: Lower CDP for interconnectors weaken zonal connectivity and raise decoupling risk, particularly in Sicily following a 1.6GW CDP reduction in imports.

Implications

BESS route to market: CM contracts often underpin tolling deals creating a key route to market for BESS. Lower CDP cuts project economics, but higher demand curves mean more capacity is contracted overall by removing the biggest bottleneck: **a net positive impact despite tighter unit economics.**

Zonal decoupling? BESS derating is now zonal, and combined with lower interconnection capacity, regional divergence risk increases.



North maintains its attractiveness, supported by largest increase in demand and strong rating factors compared to other zones



Central and Southern zones: C. South benefits from higher demand and better derating. Other zones are broadly neutral or slightly negative.

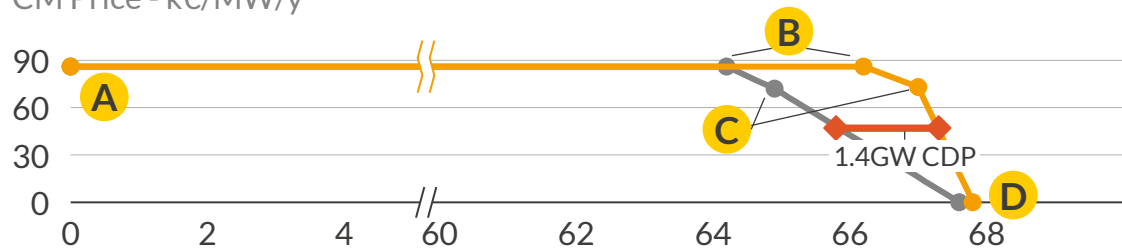


Sicily has the highest chance of auction price decoupling (increasing) driven by lower import capacity. But projects here have the lowest CDP with **Sardinia**

North has a 1.8GW higher demand curve vs 2027, signalling increased adequacy needs, while other zones remain broadly similar

Auction demand curve, national aggregate

CM Price - k€/MW/y



- CM demand curves are defined by 4 points¹:

CM demand – GW CDP

- A** Derated capacity (CDP²) of 0GW;
 - B** CDP required to have a maximum of 6h of loss of load;
 - C** CDP required to have a maximum of 3h of loss of load;
 - D** CDP capacity required to have a maximum of 0h of loss of load.
- While the max demand (D) has only increased by 0.2GW CDP at national level, points B and C correspond to an additional ~2.1GW CDP vs the 2027 auction.
 - If the 2028 auction clears again at 47 k€/MW/y, an extra 1.4GW CDP nationwide would fall within the demand curve.

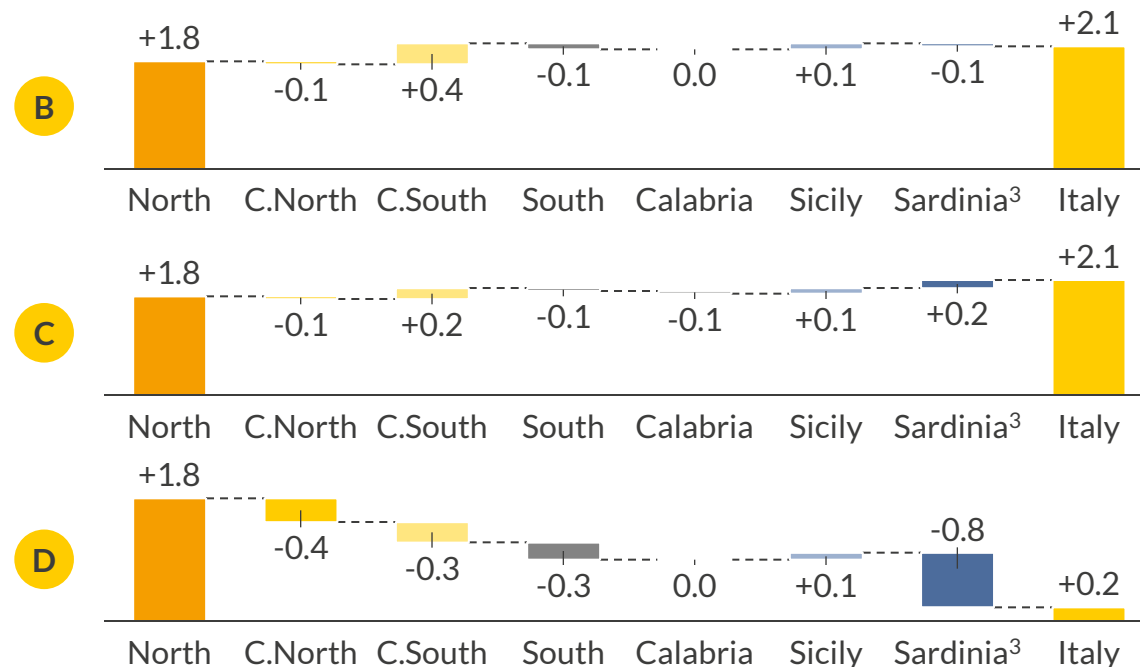
	A – GW CDP	B – GW CDP	C – GW CDP	D – GW CDP
2027 auction	0	64.1	64.9	67.6
2028 auction	0	66.2 (+2.1)	67 (+2.1)	67.8 (+0.2)

— 2027 — 2028 — Extra capacity within demand curve at 2027 clearing price

1) Economic parameters set by ARERA (199/2024/R/EEL) for 2028 auction are: A = 86 k€/MW/y, B = 86 k€/MW/y, C = 73 k€/MW/y, D = 0 k€/MW/y; 2) *Capacità disponibile in probabilità*, derated capacity; 3) In the Capacity Market, Sardinia is split in North and South Sardinia but aggregated here.

Sources: Aurora Energy Research, Terna, MASE

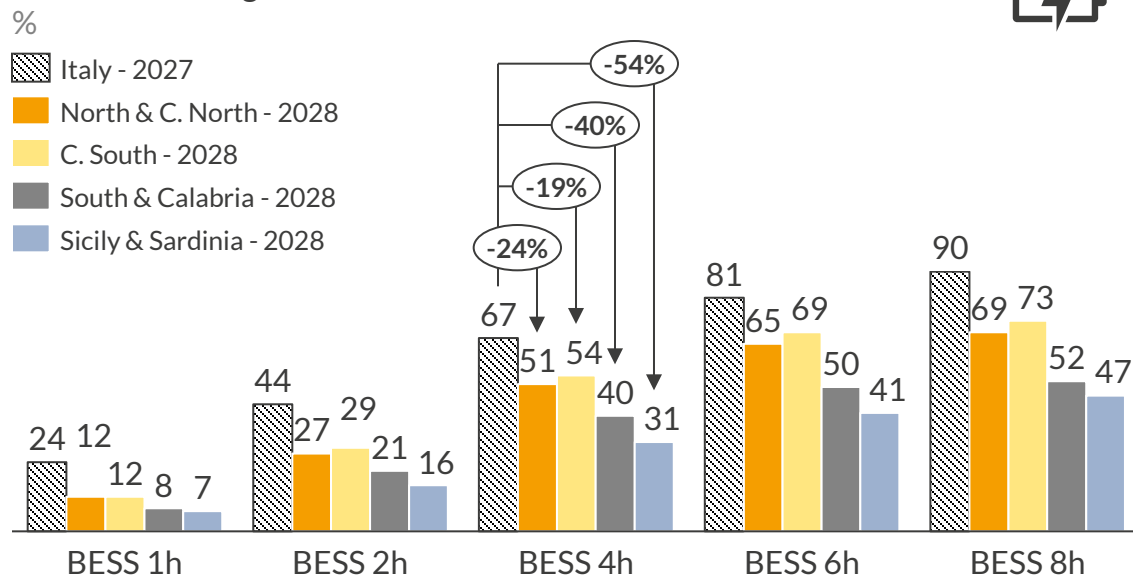
Zonal breakdown of 2028 demand curve updates vs 2027 demand curves



- North is the only zone with a consistently higher demand curve of 1.8GW CDP, together with Sicily for 0.1GW CDP.
- C. South has higher points B and C, but a lower point D, while other zones tend to have decreased or stable needs.
- Sardinia³ stands out with a 0.8GW CDP lower maximum target, point D.

BESS derating factors are now defined at zonal level, and lead to lower derated capacities; 4h BESS IRRs fall between 0.7 and 2.0p.p.

2028 BESS rating factors^{1,2}



- **BESS rating factors cut and varying by market zone:** largest reductions in Southern zones; C. South now has the highest ratings.
- **Terna's February consultation** proposed lower ratings based on North, suggesting higher values for other zones due to higher RES overgeneration.
- **Final values reversed this logic:** Southern zones received the lowest ratings, reflecting the size of the local BESS authorization pipeline.
- **Pipeline size is not build-out,** as BESS projects typically require capacity contracts for financing. Lower ratings increase pipeline mortality rate.



Focus on 2028 supply curve

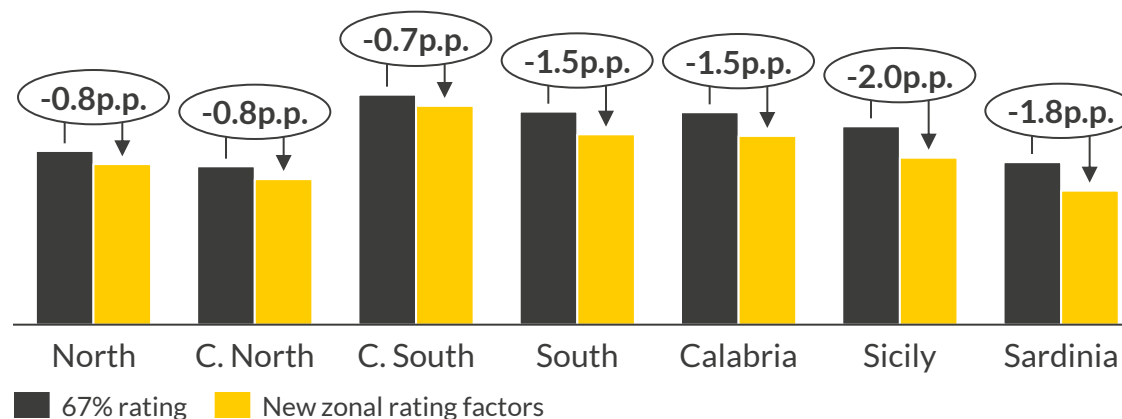
For the 2028 CM supply curve, deratings are only updated for new contracted CM capacity, while pre-2028 capacity maintains the original values, including 2028 MACSE assets.

Impact of new ratings on BESS IRRs – 4h – Aurora Q2 Central

%



BESS economics drop across between 0.7p.p. (C. South) and 2p.p. (Sicily) for 4h assets in the 2028 CM auction, assuming equal pricing.



Solar PV rating factors also drop from 12% to 8.3%, as high solar build-out decreases the marginal adequacy contribution.

1) Terna can still update rating factors when announcing the auction if the pipeline data on which the analysis was done changes significantly. As the BESS pipeline continues to grow, this means the final rating factors for the 2028 auction could be lower than the values approved by ARERA; 2) In Terna's convention Derated Capacity (CDP) = Nominal Capacity x (1 - Derating Factor) = Nominal Capacity x Rating Factor.

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