



ARERA

Autorità di Regolazione
per Energia Reti e Ambiente



Annual Report on Regulatory Activities and the State of Services

PRESENTATION BY THE CHAIRMAN

Stefano Besseghini

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The Italian Regulatory Authority for Energy Networks and Environment (ARERA)

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ARERA, Ladies and Gentlemen,

I would like to thank the Bureau of the Chamber of Deputies for attending, for the hospitality and for the words of introduction.

Also, I greet and thank the Vice President of the Senate and the representatives of Parliament and Government to whom the Annual Report is addressed to, and especially those who are here today to represent the Country.

However, let me also extend a special greeting, through all the representatives present here today in various capacities, involved in the public services, to the women and men who make it possible for this country, every day, as they work silently, to make the energy, water and waste management systems work, allowing us all the quality of life we know.



The past two years have been particularly challenging, at times dramatic, and I hope this is the only obvious thing you will hear during this annual report.

We are not yet at a stage where we can look back on what has happened.

The price crisis is biting with less intensity, but energy markets are still tense, exposed to strong fluctuations and ready to react negatively to the failure to develop those initiatives of structural realignment of the demand-supply balance undertaken during the emergency.

Among these, energy saving always retains its value in terms of its effectiveness in curbing demand.

Much has been accomplished this year, definitely helped by the benevolent climate, but we can still turn our attention to how we consume and, as far as possible, make investments that promote energy efficiency.

In winter, our focus was on heating; in summer, air conditioning is an important item in the electricity budget, and if in winter we lowered the thermostat a few degrees, in summer we should raise it equally.



As I mentioned in the last report, one element that has emerged from the management of this long period of crisis is the importance of a flexible approach.

In the face of exogenous stresses and uncertain times, the greatest value is the speed of a concrete response.

Regulation also had to react promptly, so as not to hinder the ability of operators and customers to react.

The summer of 2022 and what happened in the energy sector, particularly in the gas sector, is a paradigm of this.

Only a scrupulous attention to the needs of customers and operators made it possible to deal with the various critical issues that were arising.

Critical issues that are certainly due to the unbalanced supply-demand curves but which, from a certain price level onwards, have also affected the ability of operators to conduct their business under sustainable risk conditions.

To give just one example, the fundamental action of gas storage resulted in fixed assets three, or four times higher than usual, with financial problems on credit lines and the substantial risk of not being able to cover positions.

This is one of the elements that led, moreover, to the much-publicised choices of the government of paying in advance the costs for the purchase of what has been termed “last-resort filling”.

In the same context we also have the less obvious choice made in July 2022 by ARERA to change the way in which the price for the gas protection regime offer was set.

As is well known, there has been a shift from an indexation based on quarterly forward TTF products, to an indexation based on the *ex-post*, monthly price formed at the Italian PSV.

Perhaps, the most indicative data for assessing the appropriateness of this choice lies in the comparison between the price that gas consumers of standard offer market would have paid under the previous method and the price actually determined in the October - December 2022 quarter.

In the first case, we would have had a fixed price for the whole of the fourth quarter '22 of € 240/MWh compared with an average price, realised during the quarter, of about € 95/MWh.

In the winter half-year 2022-2023, the change resulted in a benefit for the consumer of standard offer market that we can estimate at around 3 billion euros.

Moreover, considering the high portion of contracts in the free market indexed to the protection price, the overall advantage is much higher.

It is also important to mention the flexibility introduced in the storage, default gas and last resort gas supply services, which offered the necessary protection to industrial and domestic customers, through the combination of resources made available by public funds and the necessary flexibility in capacity allocation procedures.

I wanted to give here just a couple of examples - perhaps the easiest to understand - of how the regulation has constantly intervened for guarantee this balance between consumer protection and stability of the system, which is the inspiring principle of the same founding law of the Authority.

The crisis that has just passed, triggered by gas prices that responded to a sudden imbalance between supply and demand, has also meant a radical change in supply routes from North to South for our country.

The gas facility system and regulation are facing, and indeed will have to face, this historical change in the future.

Finally, the energy crisis has brought home the importance of hedging against price fluctuations.

In this regard, the monitoring of natural gas import contracts, which ARERA continues to carry out pursuant to Decree-Law 22/2021, confirmed the trend, already noted in last year's Report, towards a progressive and increasing share of contracts indexed to the wholesale markets, with a corresponding reduction in the hedging effects against the risk of price volatility.



Some have said that data is the oil of the future.

For some years now, ARERA has given a strong impetus to the publication of data and information online, to enable various categories of users, from simple citizens to scholars for carrying out analyses and studies.

This work is constantly evolving, as evidenced by the publication of information on energy market trends and positive examples of sunshine regulation, such as the publication of technical and contract quality maps for the water sector.

An effort that ARERA intends to continue, so that these data sets become a shared heritage.

It is an objective to which information operators and the mass media can certainly contribute by representing extremely useful but complex information in a language more suitable for dissemination.

Clear information is a condition, perhaps not sufficient but certainly necessary, to enable customers to protect themselves against distortions and approximations, often maliciously pursued in aggressive commercial campaigns that destroy the credibility of the sector.



Sticking to metaphors, it is commonly said that future wars will be fought over water rather than oil.

I am certainly not a prophet, but there can be no doubt, as we have dramatically witnessed over the past few years, that we will not only have a problem of scarcity of the resource, but a structural change in the rainfall mechanism with an extreme increase in the phenomena.

Having water does not mean having vast water resources, but it does mean having water in the quantity and quality it needs when it is needed.

In the debate between mitigation and adaptation, the water system can certainly be ascribed as a significant player in the latter due to its widespread presence throughout the territory, its proven capacity for project implementation and a consolidated approach to integrated management of the entire water cycle.

The efforts made in the water supply network sector, in pursuit of the objectives of technical quality and investment monitoring, contribute to containing the overall demand for the resource and suggest the development of similar approaches in the other sectors of use.

We believe, in fact, that sectors of use other than the civil sector could benefit from the application of rules - precisely on the model of those developed by ARERA for the water supply service - aimed at offering incentive to improve performance, with the identification of specific targets for the containment of waste in relation to the use of water resources, and the consequent identification of the necessary interventions.

Just in recent weeks - as part of the “urgent provisions for strengthening the administrative capacity of public administrations” referred to in Decree-Law 44/23 - ARERA was given the task of defining the water tariff to be applied to users of the company “Acque del Sud Spa”, to be set up by 1 January 2024, to which the functions of the Ente per lo sviluppo dell'irrigazione e la trasformazione Fondiaria in Puglia e Lucania (EIPLI) were transferred.

There are still elements of growth in the role of water service operators, which could usefully be explored. These must include rainwater management and the reuse of purified water.



One of the key factors, to ensure the necessary “adaptive capacity”, is the ability to effectively integrate the collection and conveyance of rainwater with the rest of the facility system.

This is an element on which ARERA has focused its attention right from the start of the exercise of its competences, even though it is aware that there are economic and liability implications linked to the matter that have also led to certain resistance.

The sudden change in the climate scenario, with an increased frequency of extreme weather events, suggests giving high priority to the process of facility integration so that the works necessary to manage the effects of these weather events are built and regularly operated.



Reuse could bring about an interesting point of contact between the integrated water cycle and the sector of greatest water use, namely the agricultural sector.

The urgent provisions, recently launched to tackle the water crisis, could help increase the effectiveness of the practice of reuse, ensuring a rational and sustainable management of the resource. ARERA, for its part, recommended further initiatives aimed at simplifying security plans.

On the other hand, the tariff method launched by ARERA for the period 2020 - 2023 (MTI-3) explicitly recognised a series of initial measures aimed at enhancing sustainability and resilience in the face of climate change, identifying four pillars on which to intervene.

These include the reuse of treated water, an activity with reference to which, in addition to covering costs, enhanced margin sharing is recognised in favour of the operator, when there are innovative multi-sectoral measures that meet specific energy and environmental sustainability objectives.

Indeed, the proposals for the biennial 2022-2023 tariff update submitted to ARERA showed a more widespread use of the aforementioned measures than in previous years.

Water crises due to climate change are unlikely to be mitigated or overcome based on timely planning and resources to finance their implementation. Instead, they require an institutional and management chain that is effective in the realisation and efficient in facility management and maintenance.

In terms of the capacity to implement interventions in the sector, it should be recalled that regulatory action has produced a significant increase in investment spending in the water sector, which has risen from values close to one billion euros in 2012 to approximately four times that amount in 2022 and 4.5 billion euros in 2023, favouring a path of improvement in the quality of the integrated water service.

This result derives from adding to the (preponderant) share of resources made available by users through water tariffs (about 4 billion), that made available by public resources, allocated under the Next Generation EU (PNRR funding line on security of supply and the REACT-EU and PNRR lines on leakage reduction).

Considered in per capita terms, Italy is finally approaching the values typical of the most advanced countries: for the four-year period 2020-2023, investment expenditure of € 276/inhabitant (corresponding to annual investment expenditure of € 69/inhabitant).

The monitoring by ARERA confirmed general improvements in the capacity to realise planned investments.

The realisation rate of planned expenditure was, in fact, (considering the total investments in the two-year period 2020-2021) almost 100%, with a lower value for operators operating in the South and Islands area.

While this result (indicating an actual investment expenditure equal to the *ex-ante* quantified resource requirements) may be affected by the first signs of rising commodity costs, which made the implemented interventions more costly than planned, it also demonstrates the sector's resilience to the emergency phase due to COVID-19.

An analysis of the latest technical data available on the state of the facilities (referring to 2021) shows confirmation of the progress in the overall improvement process for the technical quality indicators identified by ARERA (referring to water leakage, service interruptions, quality of water supplied, adequacy of the sewerage system, disposal of sludge in landfills and quality of purified water) and a progressive increase in the number of operators for which the local governing bodies periodically carry out a survey of facility and quality data, also with reference to the operators located in the geographical area of the South and the Islands.

The update of the processing carried out confirms the existence of a Water Service Divide in the country, with technical parameters that tend, generally, to reveal more critical situations precisely in the South and Islands area, although for some indicators, improvements are more pronounced precisely in these areas than in the rest of the country.

This ability to realise could be an effective prerequisite for a new planning vision for the sector, capable of combining monitorable targets in the short to medium term with the necessary aspirations for facility growth in the long term.

To this end, one cannot disregard a programming that denotes characteristics of homogeneity, both in defining the priorities and targets improvement, and in verifying the actual feasibility of construction by subjects equipped with the necessary implementation skills.

This synthesis could be determined by making the National Plan of Facility and Safety Interventions for the Water Sector the single and coordinated reference point for all interventions in the sector, including emergency ones.



Dramatic increases in energy costs have also impacted the water sector where, of course, energy costs are a major part of operating costs.

To deal with the emergency, as early as the end of 2021 ARERA provided for an additional tariff component to update electricity purchase costs, aimed at anticipating at least in part the effects of the growth in electricity costs.

Almost all of the utilities that submitted a proposal for a two-year tariff update (104 out of a total of 118), made use of the valuation of the aforementioned component, for a total amount, referred to 2022, of approximately 166.8 million euros.

In May 2022, ARERA introduced a further extraordinary measure in relation to the cost of energy, in the form of a financial advance to operators, which was accessed by 51 operators for disbursements amounting to 142 million euros.

Alongside this instrument, the possibility was provided of applying to ARERA for the recognition of additional costs, as part of the quantification of the adjustment component “costs (...) for the occurrence of exceptional events” referring to 2023, provided it is accompanied by a plan of actions to contain the cost of energy and measures to ensure the sustainability of the tariff for end users.

A further-reaching reflection remains in the background to recognise this essential and universal service as an “energy-intensive” sector.

This would allow, while still promoting efficiency, the extension of already established instruments for the containment of energy costs.

The Urban Wastewater Treatment Directive also sets the goal of achieving energy neutrality of treatment plants by 2040.

ARERA is of the opinion that this objective, although very much appreciable, could lead to a potentially inefficient set-up of operators from an energy point of view, by providing only for self-production within treatment plants and failing to consider even recourse to the market if there are more economically viable solutions, again of renewable origin.



The waste sector is the newest to regulation, nevertheless important steps forward are now being taken.

There is, of course, no shortage of resistance and difficulties, but the pressure by citizens to have answers, efficient services, and quality appropriate to a developed country is an important stimulus for industrial growth in the sector.

We are now halfway through the second regulatory period (2022-2025) and ARERA has recently submitted for consultation its guidelines for defining the rules and procedures for the two-yearly update (2024-2025) of tariff preparations.

In confirming the criteria of transparency, certainty and sustainability, the regulation update will operate with a view to consolidating a new evolutionary scenario to which the deadlines set by the National Recovery and Resilience Plan contribute, but above all the now inescapable need to reassemble the pieces of a complex and articulated mosaic.

Significant pieces of this mosaic include, without doubt, the management of the transparent turnover of managers, to be tackled with the forthcoming launch of the model service contract, as well as, in the coming autumn, the model call for tenders, exercising - with regard to this last profile - one of the most recent powers assigned to ARERA by the reform on local public services adopted last December.

The correct assessment of the charges for separate collection management, the definition of technical standards for recovery and disposal activities and the optimisation of the flows thus generated complete the picture. In this context, the multifaceted nature of the profiles involved necessarily calls for a set of measures that consider, at the same time, the most effective ways to identify the quantities to be subjected to regulation, the reclassification criteria for the assessment of the efficient costs of separate collection and, in a parallel fashion, the measures aimed at promoting evolution of the degree of coverage of these costs according to a sustainable and virtuous path, in order to ensure that the recipients of the extended producer responsibility obligations bear charges consistent with those attributable to the products they place on the national market.



The updating of the MTR-2 cannot ignore significant and concomitant external factors. These include inflationary dynamics as a prevailing consideration.

As is well known, the operating logic of the waste tariff method provided for the possibility of developing the management business plan over several years. Although this clearly entailed a greater administrative effort in the start-up phase, at the same time it offered and continues to offer an additional possibility to the sector, precisely at times of exogenous and discontinuous events such as the need for a sudden inflationary adjustment.

The charges calculation model confirmed in the MTR-2 is based on an adjustment of costs relating to previous years, applying inflationary indices determined by monitoring the actual dynamics of customer prices and on compliance with a constraint on growth in charges (to limit the impact on end users) that incorporates an estimate of the expected inflationary evolution.

It is clear that if there is a significant misalignment between the two rates, this can lead to considerable application problems, especially if a high index value from the cost analysis is matched by a significantly lower one from the growth constraint.

The scope for including inflation-related cost increases in tariff revenue would most likely be insufficient, leading to the non-recognition of a part of the costs, not necessarily attributable to inefficiencies of the service operators.

This is the situation potentially arising in this period.

ARERA is therefore identifying mechanisms by which to ensure, on the one hand, the continuity of the service and, on the other, the sustainability of the fees to end users, evaluating the introduction - for the purposes of calculating the growth limit on tariff revenues for 2024 and 2025 - of an additional coefficient to cover the higher charges incurred for the integrated management service in 2022 and '23.



The MTR-2 broadened the scope of intervention, with the introduction of a regulation of access tariffs to treatment plants aimed at favouring the use of treatment plants placed higher up in the waste hierarchy and penalising use of landfills.

ARERA has introduced modulated tariffs, due to the degree of integration of the waste management entity (from clearing and collection through to disposal and recycling) and the level of competitive pressure in contributing to the promotion of allocative efficiency.

It provides for a classification of existing plants, which makes it possible to identify those that should be subject to regulation while keeping them separate from the others and introduces the definitions of end-of-cycle plants, which can accordingly be: “integrated” and “minimal”. These are subjected to a regulation, tariffs and recognised costs, characterised by incentives consistent with the European waste management hierarchy.

Then there are the so-called “additional” (or “market-based”) closing-loop plants, which are not subject to the regulation of recognised costs but to which transparency obligations on access conditions and disincentives apply for flows to landfill or incineration plants without energy recovery.

ARERA, therefore, did not intend to perform any of the planning functions that the law entrusts to the various institutional levels (in particular to the regions), since it delegates the decision as to the identification (or not) of the “minimum” installations to be subject to regulation to the competent territorial level.

The regulatory intervention was triggered by the well-known and acknowledged plant deficit.

This is a not unique case of “regulatory pragmatism”.

We have been called upon to regulate a service characterised, simultaneously, by strong planning ambitions (national and regional) on the one hand and great pressure for free competition on the other.

Taken individually, both drives are evidently inspired by the ultimate goal of realising solutions that are beneficial to the citizen service user, but the ways in which they may combine from time to time, may conversely result in additional costs in certain circumstances.

The regulation of “minimum” plants therefore configures a regulatory institution strictly inherent to the tariff framework, whose function is to reduce the market power of plant operators in situations where there is a stable excess of demand and a limited number of operators, and to contain the negative effects on the user resulting from the absence of competition in certain regional contexts.

MTR2 does not interfere with the planning objectives and plant requirements established by each region with reference to its own territory, but rather fits into the groove of existing planning.

Moreover, the same approach has been included by the Ministry of the Environment and Energy Security in the National Waste Management Programme (PNGR), testifying to the full institutional coordination for the facility upgrading of the sector.

Confirming the extensive margin of declination of the definition adopted for regulatory purposes, it should be noted that some regions (Lombardy, Sardinia and Molise) have indicated that they do not consider it appropriate to identify “minimum” plants in their territory.

The recent decisions of the administrative court - which upheld the appeal of a number of operators partially impacted by the limitations resulting from being in the minimum plant category - are under consideration by the court of last instance.

Litigation, without prejudice to the regulatory classification, affects the timing of the application of the discipline mainly aimed at protecting customers and users.

The waste cycle sector has responded in a largely satisfactory manner to the new regulation defined by ARERA, already starting with the first tariff methodology launched in 2019.

With particular reference to the most recent MTR-2, it should be noted that the 2022- 2025 Business and Financial Plans have been sent to ARERA, containing the tariff revenues for 5,987 tariff areas covering approximately 52.3 million inhabitants served, as well as the tariff recommendations for 61 treatment plants qualified as “minimum” or as “intermediate” plants from which flows indicated as entering “minimum” cycle closure plants originate.



The critical issues related to the complexity of local institutional governance in the waste cycle sector have been known for some time, and recently the legislator - as part of the legislative decree reforming local public services - decided to assign ARERA a new activity of monitoring compliance with the sector regulations for the definition of the perimeter of the districts and for the constitution of the district government bodies.

This is an intervention intended to encourage the often-hoped-for rationalisation of local institutional structures, overcoming governance models that can preserve management fragmentation and limit the control action by public entities.

ARERA has identified this Annual Report as the place to provide an initial representation of the state of local arrangements in the sector (Volume 1, Chapter 6).

What emerges is a process of reorganisation of the sector structure that has not yet been fully completed throughout the country, so much so that ARERA has long since adopted the aforementioned definition of “territorially competent body” (ETC), thus also including municipalities where the district government bodies are not established or fully operative.

Considering the latest data available to ARERA - it would appear that of the 2,554 ETCs (fulfilling their obligations under tariff regulation), the majority (2,485) are municipalities, while of the ETCs classified as district governing bodies, almost all proceed to prepare business plans (and related fees) that are in any case differentiated at municipal level.

Therefore, the range of subjects on whose shoulders the regulation places obligations of validation and transmission of the data and acts processed by the operators appears multifaceted, denoting potential for rationalisation of local arrangements still to be developed.

The multi-level governance that characterises the sector is not without its inconsistencies and risks.

Risks that manifest themselves mainly in the possibility of opportunistic behaviour aimed at maintaining the status quo being inserted into the folds of this governance.

We are well aware that regulation alone cannot, and should not, suffice to ensure the development of the sector, but it is certainly a necessary condition.

The goal we have set from the very start of the MTR is to overcome the intolerable difference in service quality and costs incurred, which often leads to a combination of higher costs and worse quality, in different parts of the Country.

Nor can it be imagined that the growth of the sector will only come from the development of small local experiences and territorial best practices. It is necessary for all the institutional players involved to contribute to the implementation of a common design that sees in the recall of the Euro-unitary principles the inevitable element of reference.

The tariff method contributes to this design with transparency in costs, certainty in the remuneration of investments, the defence of customers from planning inefficiencies, and the optimisation of territories that accept even significant plant solutions.

Above all, the asymmetrical regulation, which has characterised the system from the outset, makes it possible to optimise and promote the many inevitable differences that characterise a service that has an important imprint in its local value, especially in terms of the design of solutions and management activities in respect of users.

It is important that the territorial government structures make this complexity their own and adopt it as the tool whose levers allow them to translate a generic political will for good management of their territory into precise indications of quality and perimeter for the recipients of the concessions.

The tariff method is therefore nothing more than a “grammar book” with which to compose the present and future narrative of the local development of the waste sector.

And it is a book that is mainly in the hands of local decision-makers.



Energy topics have rightly now become central, but with accompanying drama that we hope can now be considered over.

However, it would be a grave mistake to think that the situation has already returned to a new normal, to be managed routinely.

The emergency phase has forced us to once again address some aspects that we had taken for granted and on which we were leveraging to significantly accelerate the energy transition process.

The difficulties, risks and costs that accompanied this endeavour added up to the need to change the frame of reference within which we had decided to move.

We have paid and continue to pay a heavy price for this change at national and European level.

In the second half of last year, we witnessed an unprecedented spike in gas prices and in the face of the deepening crisis, Europe adopted a series of urgent regulatory measures aimed at accelerating the filling of natural gas storages, reducing the demand for gas and electricity, facilitating joint gas purchases, and curbing any gas price increases above certain thresholds.

ARERA has been very much involved in this context in supporting national institutions in the implementation of emergency measures, to ensure their consistency with the specificities of the regulatory framework.

Interventions that, albeit with the help of a mild winter, helped avert a gas supply crisis and enabled the development of a gas storage service of last resort aimed at achieving the filling targets required by Europe.

As I mentioned before, emergencies call for timely responses, but they also entail significant costs such as those resulting from the significant burden of last resort storage losses.

Burdens that belong well to those redundancy and security measures to which we will increasingly have to pay attention.

On the other hand, we have initiated and, in some cases, already completed various facility and regulatory interventions to make us more flexible and thus more robust in the face of future, possible crises.

The industry operators have been quick and effective in grounding these interventions.

The market responded, for example, by booking almost 90% of the capacity of the Piombino LNG terminal for the long term.

The implementation of these measures cannot yet be said to be complete, and RepowerEU's plans are a clear demonstration of this.

It is therefore of paramount importance that the national system, as well as the European system, has the strength to keep motivation and decision-making over time.

Parallel to the emergency interventions, Europe made new legislative proposals in March 2023 to adapt the market design to the triple challenge of energy transition, security of supply and the risk of price volatility that the crisis has in any case triggered.

Also, by virtue of its important role in coordinating European regulators now played for years in ACER, ARERA is actively contributing to the ongoing debate between the European institutions.

Although we will have to wait for the completion of the institutional process to offer a more complete assessment of the new proposals, we can already emphasise that not only do they appear to be more of an evolution of the European electricity market design than a revolution of the same, but also how far Italian regulation has already advanced with respect to these forecasts.

I am thinking, for example, of customer protection, but also of the development of flexibility services needed for electricity systems with a high penetration of renewables, which I will mention later.

Some have remarked that the current situation has brought us into an era of contradictions: to develop the energy transition we have to reinforce parts of the system that we would quickly like to be able to do without.

These contradictions must be accepted, knowing that it will not be possible to resolve the various knots that arise at the root with definitive choices.

Today, even more than yesterday, it will be necessary to maintain a clear long-term guideline, on which choices that might appear contradictory to the final objective can be grafted and sustained for as long as necessary.

Needless to say, the outcome of Russia's ill-fated war on Ukraine will be relevant (concrete evidence of the contradictions of this situation with the attacking nation supplying a commodity whose sale generates the revenue to support the war).

But the consolidation of the numerous investment decisions in gas liquefaction plants scheduled to take place over the next two to three years will also be relevant and, in bringing about a substantial realignment of the imbalance between supply and demand, will consolidate the role of LNG as a reference market for the gas sector.

Therefore, the energy sector is undergoing a profound transformation with significant margins of uncertainty on its own evolution and that is not free of real or apparent contradictions that may make it difficult to maintain a clear trajectory.

In all this, over the coming months the national energy market will undergo a substantial change with the definitive abolition of the protection regime offer for both the electricity and gas markets.



The protection regime offer came into being in 2007, with the aim of allowing customers more time to find their way around in the new, now liberalised market environment.

After 16 years, several postponements and constant commercial action by operators to bring customers onto the free market, we are in a situation where approximately 30% of domestic electricity customers, totalling around 9 million customers, are still served by the protection regime offer.

The market alone was not able to bring about conditions that would be attractive to these customers, but it must also be considered that a percentage (difficult to define) of customers were not attractive to the market, and these will have to be taken care of.

The aim of the protection regime offer is not to provide the best possible price. It has performed and is performing different functions, which, with its passing, will have to be maintained.

Its characteristic is, rather, to provide a product limited to the supply of the basic commodity, without supplementary services at a variable price updated quarterly, with an inter-temporal compensation mechanism that determines, in the medium term, the payment of the real cost of energy by the end user plus a regulated marketing price.

For example, the trend of the protection price during the crisis period initially resulted in a worse performance than the free market, due to the large number of fixed-price contracts that characterised the latter, a situation that was reversed in the second half of '22 in which the free market followed the market trend with variable prices, while the protection maintained the effect of the forwards, which had not intercepted the price surge of the third and fourth quarters, resulting in a lower cost.

This cost was then recovered in the first quarters of '23 compared to sharply falling prices due to the collapse in gas prices that characterised this phase.

From a price point of view, therefore, protection does not offer any particular guarantee except, precisely, to spread the price signal of the wholesale market with a regulated marketing component over a longer time span.

It performs an implicit safeguard and last-resort service function.

Up until 2021, the process of leaving protection was spontaneous, starting January 21 a gradual phasing out of the protection regime offer for progressively broader categories of customers began, in line with the indications of European legislation and within the more general framework of the 2017 competition rules.

In this sense, in 2021 the protection regime offer for mini-companies and in 2023 for micro-companies ceased.

With the twofold aim of guaranteeing, for a defined period, continuity of service and of encouraging a gradual transition to the free market, a service of last resort known as “gradual protection” was activated and assigned by means of specific auction procedures.

In addition to managing the entire process, ARERA also accompanied it, together with the business associations and the Chamber of Commerce system, with coordinated communication initiatives aimed at informing the two specific targets involved in the deadlines, without creating confusion among the broader target of households.

The analysis of the results of the auctions (subject, as required by the regulations, to specific periodic communications to the ministry) showed a satisfactory degree of participation and a competitive outcome.

In particular, micro-company auctions experienced a significant drop in bids, also due to the provision contained in the MASE decree that, at the end of the 4-year service management period, the winning companies will be able to continue to serve customers assigned in the free market, which led operators to discount the so-called customer acquisition cost in the price offered.

In actual fact, this also changed the meaning of the service allocation auction, which became potentially, a customer allocation auction.

We are now approaching the auctions that will concern the group of domestic customers still under protection, as mentioned, the most numerous and certainly the group with the most specific characteristics.

The main recent new development was the identification of the “vulnerable” customer category, customers who, by virtue of their not always obvious fragility with respect to their ability to supply themselves on the market, must be the recipients of special supply conditions, in particular price conditions.

Recently, positions favouring the introduction of non-disconnection of vulnerable customers have emerged in the European debate on proposals to revise the electricity market design.

Because of both the broad definition of “vulnerable” and the existence of effective hedging instruments for customers in financial difficulty, it would appear entirely inappropriate to go down this route.

It would be much better to provide adequate support systems linked to precise socio-economic indicators of the family.

Non-disconnection implies, however, the maintenance of situations of non-payment of bills. Besides allowing possible opportunistic behaviour, it could also lead to significant costs on other customers.

The decision to handle the vulnerable category differently means a substantial halving of the customer base affected by the upcoming auctions.

A smaller but nonetheless substantial number, estimated at around 5 million customers to date.

One concern, repeatedly expressed by ARERA, is that the large number of the audience means little competition and a possible increase in prices for the end customer.

On the other hand, certain interventions, such as the one recently envisaged by the Employment DL concerning the transfer of commitments of the protection operators to the winners of the auctions, lead to further difficulties, on the one hand linked to the lengthening of the time required to carry out the competitive procedures, which would become incompatible with meeting the regulatory deadlines (and the relevant PNRR commitments), and on the other hand due to the inevitable increase in service costs.

The provision that such constraints should also extend to the transition to the free market, which is a personal and individual choice of the individual customer and must remain so, seems completely inconsistent.

There are further aspects to consider: the final market configuration we will have to deal with in terms of active services and the price configurations as a result of the whole process.

At the end of the process of allocating non-vulnerable customers to the gradual standard offer service, we will have a market of low-voltage customers that will see the stratification of the different results, i.e.: mini-companies assigned to the relevant gradual standard offer service; and micro-companies assigned to a further gradual standard offer service, with homogeneous economic conditions at national level but different from the previous ones. It is also worth mentioning that, between January 2021 and March 2023, around 53% of the companies assigned to the gradual standard offer service left it in favour of free market suppliers.

Finally, non-vulnerable domestic customers will have their own gradual standard offer service price while vulnerable domestic customers will be served by an evolution of the usual protection regime offer.

The subdivision of customers among services of gradual protection, with similar but not identical characteristics, which we will have as a result of the insolvency procedures, will need to evolve rapidly towards a stable, homogeneous configuration capable of rapidly returning attention to non-price protections, which will have to characterise a fully liberalised market by way of a priority.

In this sense, the appropriate information campaigns, repeatedly requested, planned and postponed, and the systems for comparing offers and analysing consumption profiles, such as those guaranteed today by the “Portale Offerte” and the “Portale Consumi”, on the growth and progressive integration of which ARERA intends to continue working, will acquire even greater relevance in guiding customers' choices.

It will also be important to provide customers with a benchmark that can provide a transparent reference of the cost of energy in the wholesale market and efficient marketing costs to allow them to make the necessary assessments.

It would appear clear, however, that this phase of gradual transition to a new set-up represents a very delicate moment for customers in which it is necessary to ensure that no uncontrolled price increases occur.

The level of attention must be raised of all the institutions involved to ensure that - alongside careful monitoring of market dynamics - incisive and timely action can be taken to counter any behaviour that violates customer rights.

On the other hand, the electricity supply service has characteristics of universality and public service that must be taken into account.

The legitimate action of politics today finalises a step that the market has clearly not been able to complete.

It is important that politics, in the fullness of its democratic mandate, keeps a watchful eye on the necessary steps.

Before closing on overcoming safeguards, I think it is just worth mentioning that next year will also see the final overcoming of the gas safeguard service, accompanied by the important capacity allocation reform that will come into force on 1 October to facilitate the switching process.



Talking about vulnerable customers brings us onto the topic of energy poverty and how to combat it.

Several definitions have been adopted concerning energy poverty, the condition in which households are unable to access essential energy services and products.

This is a very general definition, and on the other hand we are still struggling to identify an unambiguous and comprehensive definition of energy poverty.

Although useful for academic evaluations, for monitoring the medium-term effects of policy interventions and possibly for international comparisons, existing definitions do not lend themselves to the precise targeting of possible public policies, which must be linked to definite indicators, available on an individual basis and measurable for the entire population.

Electricity and gas social bonuses for economic hardship are certainly the instruments that, due to their longevity, their greater diffusion throughout the country and their impact on the households concerned, represent the most significant measure to fight, if not energy poverty, certainly the most marked economic-social hardship in Italy.

Bonuses basically consist of direct disbursements on bills (rebates for recipients), the amount of which depends on factors such as energy prices, the number of household members and, for gas only, the climate zone of residence and the intended use of the fuel in the specific household.

The instrument is fully compatible with competitive energy markets (as beneficiaries are free to change supplier); based on the overall economic and patrimonial conditions of the entire household (as represented by the ISEE); and suitable to stimulate virtuous behaviour in the households concerned (as, since the amount of the bonus is independent of the individual household's consumption, the ability to reduce one's energy consumption increases the value of the discount on the bill).

The access threshold currently in force and valid for the three-year period 2023-2025 is 9,530 euros, but in the course of 2022, due to the energy crisis, the number of beneficiaries has expanded.

The ISEE threshold for access to the two benefits (as well as their quantification) for families with less than four tax dependent children was raised, first, to 12,000 euros by Decree-Law No 21/22, and then to 15,000 euros by Law No 197/22. Lastly, Decree-Law No 34/23 raised the ISEE threshold for access to the electricity and gas bonuses for 2023 to 30,000 euros for "large families", i.e., with at least four tax dependent children.

For 2023, the threshold for access to energy bonuses is 15,000 euros for households with fewer than 4 tax dependent children and 30,000 euros for those with at least 4 dependent children.

Last but by no means least, energy concessions for economic hardship became automatic as of 1 January 2021, allowing for flexible and enhanced use to counter the effects of the recent energy price crisis.

I would like to emphasise here the significant change in method: until 2020, households with an adequate degree of information and capacity were eligible for social bonuses; from 2021, all households whose economic hardship is certified by the appropriate indicator will benefit.

Simply requesting the ISEE from INPS, for whatever reason, triggers a verification mechanism (of which the customer is informed in advance) that assesses eligibility for benefits.

The shift to automatism has therefore allowed the measures taken during the emergency phase to be extraordinarily effective in terms of the extension of the target group and the allocation of the benefit.

For energy supplies, this translated into a significant increase in the number of beneficiaries (households), which, in 2021, amounted to just under 2.5 million for the electricity bonus and just over 1.5 million for the gas bonus (an increase of 208.9% and 182.7% respectively compared to 2020, the last year of application of the “on-demand” mechanism) and further increased to more than 3.7 and 2.4 million households, respectively, in 2022 (an increase partly also due to the raising of the access threshold mentioned above).

For 2023, a further increase in the number of beneficiaries of the social electricity and gas bonuses can be estimated, which could amount to approximately 4.7 and 2.8 million households, respectively.

Legislative measures to strengthen household support measures also affected the way in which social energy bonuses were quantified, which in '22 were “modulated” on a quarterly basis to protect weaker customers from price fluctuations.

ARERA has implemented this “modulation” by introducing an additional compensatory component (CCI), apart from the “ordinary” bonus and updated every quarter, on the periodic update of the general system charges.

As required by the regulations in force, for each of the foreseen reference profiles, the CCIs were sized with the aim of minimising the expected increases in the expenditure of the customers benefiting from the facilities corresponding, by consumption, to the aforementioned profiles.

For example, for a family with two children in 2022, the additional components were 695.17 euros for the electricity bonus and 2,400.17 euros for the gas bonus, heating use in climate zone E.

Overall, a total of 4.4 billion euros was spent on social bonuses for electricity and gas in 2022; around 2 billion euros for the electricity bonus and 1.8 billion euros for the gas bonus were earmarked to strengthen these instruments in the face of the energy price crisis.

After one year of implementation, we can say that the introduction of supplementary compensatory components (CCI) in the electricity sector has made it possible.

- regardless of the significant price volatility - to keep the quarterly unit expenditure between approximately 13.18 c€/kWh and 13.68 c€/kWh, compared with an average expenditure between 41.34 c€/kWh and 66.01 c€/kWh for customers without this protective mechanism.

For gas, the application of the mechanism is based on seasonally variable consumption and, from the fourth quarter of 2022 onwards, on the reference price for the standard offer market, fixed *ex post* from month to month.

Again, the mechanism proved effective, indeed in the fourth quarter of 2022, the anomalous gas price trend in the second half of the quarter even resulted in a substantial reduction to zero of the average unit cost incurred by bonus-holding customers served under the protection regime.

The last months of this year will necessarily see a rethink of the social bonuses; evaluations and choices will be necessary regarding the ISEE threshold for access and the economic values of the discounts in bills. The positive choice of graduating the degree of coverage of social bonuses made in 2022 (keeping the discount higher for lower levels of ISEE) could serve as a good model, for example.



Given that it is related, I would now just briefly like to address the other major topic in this area: the social water bonus.

Like the social energy bonuses for economic hardship regulated by this Authority, the social water bonus is granted 'automatically' as of 1 January 2021 to those entitled to it, i.e., without the need for them to submit a special application and corresponds to the economic value of 50 litres of water per day per household member.

A prerequisite for automation is the accreditation of the water operator to the Integrated Information System (IIS), so that the necessary information can be sent in an automated fashion.

Water operators were not originally accredited to the IIS, so both their accreditation and the complexity of data processing requirements took longer to make the automatism operational.

To date, there are 668 water operators accredited to the IIS out of a total of approximately 1,700 entities in ARERA's Integrated Water Service Territorial Registry (ATID).

The accredited operators serve around 90% of the national population, and the activation of the data flows necessary for the recognition of the water bonus has been arranged for 1,566 operators, for which the privacy requirements have been completed, thus reaching approximately 80% of the national population.

This is without prejudice to the fact that the gradual implementation of the social water bonus provides for the disbursement of the arrears for the households concerned.

It should be recalled that, despite the recent positive developments highlighted in the half-yearly monitoring report on the reorganisation of local structures, there is still a significant number of management entities in the sector (mainly municipal economic managements) for which the procedures for the transfer of the service to the single area manager have not yet been completed.

This has led to critical issues in the fulfilment of obligations set by regulation, in particular with regard to tariffs and technical and contractual quality, which have contributed to the persistence of the “water service divide” to which we have long drawn attention.

The weakness of governance in these contexts (for which the management rationalisation paths resulting from the provisions introduced by Decree-Law 115/2022 of last August were not started until 2022), is also reflected in the delays in the fulfilment of the obligations imposed on the managers for the purposes of disbursing the water bonus.

Therefore, ARERA is oriented towards evaluating specific measures - including the “sunshine regulation” - aimed at making the automatic recognition mechanism of the water bonus effective in these specific situations.



General support for customers came from the government's cancellation of general system charges, practically from the fourth quarter of 2021. It was an instrument that showed both potential and limitations. The first certainly related to the speed of intervention and the ability to reach customers in a widespread manner. The latter related to the relatively small capacity to contain major cost variations but, and perhaps above all, to the inevitable regression of the instrument.

In the course of 2022, the gradual transfer of system charges to general taxation also started, in line with the forecasts of the PNRR. Together with the gradual reduction of the components of the tax burden supporting renewable energy resources, which have started their downward curve, this can lead to a decrease in the general tax burdens on the electricity user.

The progressive reduction of the share supporting renewables, due to the disappearance of incentive instruments, should not be confused with the more contingent variation due to the increase in the cost of energy.

Indeed, the two mechanisms are often confused. As we have seen at this stage, the price increase leads to a substantial balance in the cost of charges as the reduction in the cost of incentive instruments is shifted in favour of those supporting customers.

In 2022, the government shifted the nuclear decommissioning components to a total amount of approximately 400 million euros.

It is up to ARERA to formulate a recommendation on which further charges to transfer in the course of 2023 and, as already indicated on other occasions, the choice will be on whether to transfer the social bonus component.

This is both because of their clear social purpose and because of the impact it would have on other customers when the tax burdens of widening the target group are restored.

If from 2024 the normal bonus conditions were to be restored (equal to 30% of the annual cost for the electricity sector and 15% for the gas sector), with prudential assumptions on the number of beneficiaries and on the evolution of product costs, this could lead to a cost for the public finance of around one billion euros per year.

Lastly, I believe it is worth mentioning that, in terms of covering the needs required to permanently reduce a portion of the general system charges, it would be advantageous to consider the definitive allocation to CSEA of a portion of the proceeds from CO2 auctions which, with its price now pegged at the average value of € 80/tonne, would be able to ensure adequate revenue to cover the needs arising from this initiative in addition to the traditional projects.



I have said a lot about the retail market situation, but there is also a lot to be said about the more general energy scenario, which has emerged deeply shaken in the fundamentals that we thought had been established over time.

Let me now focus on the more distinctly regulatory issues. Aspects that are coming to maturity after the inevitable gestation phase - such as the Integrated Electricity Dispatching Act (TIDE) or regulation by cost and service objectives (ROSS) - are overlaid with issues dictated by contingency, such as the acceleration on the simplification of connection processes and the more general topic of electricity market reform.

The latter I think we will discuss more usefully next year, let us here focus on the main innovations in the pipeline.



ARERA has continued its path towards innovation in the regulation of electricity dispatching, publishing for consultation the outline of the TIDE - the Integrated Electricity Dispatching Text.

The relevant resolution is expected by the end of this month.

The aim of the reform is to guarantee the security of the electricity system, efficiently and at the lowest cost, in the current context characterised by the increasing spread of non-programmable renewable energy resources and distributed generation, and the consequent inevitable progressive reduction in the use of programmable plants.

With the TIDE, ARERA is laying the foundations for the future, so that it will really be possible to continue to benefit from electricity with current quality levels in an environment with more random renewable energy resources and fewer programmable thermal power plants.

As we know, in the electricity system, a balance between electricity production and consumption must be ensured at all times.

To do so, it is necessary to compensate for random fluctuations of renewable energy resources (such as sun and wind) with equal and opposite fluctuations of programmable plants, or through appropriate modulation or customer detachment. This means that, in the electricity system of the future, customers and producers from renewable energy resources will also be called upon to be more active, providing the electricity system with their ability to change production and consumption as needed, even shifting them over time.

The innovation of the regulation under construction, accompanied by the experimentation with new flexibility services made possible by the regulation of pilot projects, will enable, also through new aggregators capable of managing the flexibility of production and consumption of a plurality of customers and producers, in a manner completely independent of electricity suppliers.

Preparing for the future in good time is the best way to avoid being surprised when it comes.

In the meantime, the quality levels achieved by our electricity system remain high, placing us among the best in Europe. In 2022, transmission quality of service indicators improved while distribution quality of service indicators worsened slightly.

The difference between the north and south of the country remains in the distribution, improving slightly but with long breaks still around 30% higher in number and duration than the national average. In total, automatic compensation payments to users amounting to approximately 32 million euros were made in 2022.

The trajectory of regulatory experiments also continues. This commitment has been made by some distributors to step outside the normal regulatory path to achieve more important goals within four years. The results to date are comforting, in terms of user benefits, with improvements beyond the ordinary.



Alongside experimentation and innovation, regulation permanently pursues cost control with output-based mechanisms designed to reward (or penalise) the behaviour of operators.

Particularly noteworthy are the reward mechanisms activated for the reduction of congestion, tension constraints and essentiality. The resolution of tension constraints in the southern area resulted in an estimated annual benefit of more than 400 million euros.

This was accompanied for the years 2022-24 by a new mechanism to reduce overall dispatching costs.

These are structural interventions, on the system, capable of producing effects in the long term, even after the end of the incentive period.

The mechanism is structured in such a way that customers see lower costs in their bills both in the event of improved performance and in the event of deterioration, as the grid operator will have to bear part of the increased cost of dispatching compared to the benchmark year.

Evaluations of the 2022 results are currently underway. Based on the available evidence, it appears that the benefit to the electricity system from this instrument, and thus to the community, can be estimated at just over 2 billion euros.



The partially output-based approach just described will find full development in the Regulation by Expenditure and Service Objectives (ROSS).

Decarbonisation entails major facility investments, particularly in the electricity sector, and makes it necessary to adopt instruments that favour economic sustainability for network operators and service users.

The main regulators in Western countries have long since embarked on a process of reviewing their regulatory models to find solutions that combine these requirements.

In particular, regulators have abandoned, or are attempting to abandon or at least improve upon, purely cost-of-service-based regulation models (referred to as “RAB-based” models) to move towards regulation models based on the value of the service rendered.

It is a very mature approach with which to replace the brute force of the scale of investment with the relevance of the solutions for the system and customers.

Regulation by expenditure and service objectives has matured through a long process of analysis and consultation; this is an approach characterised by:

- a forward-looking view of actual customer needs on which to base service objectives on which to finalise forecasts and development plans;
- incentives to improve efficiency in service production based on the assessment of overall management efficiency, looking at total expenditure (capital and operating expenditure), with removal or at least mitigation of over-capitalisation incentives (“capex bias”) typical of RAB-based models.

ARERA has opted for a step-by-step approach that envisages, in a first phase, the definition of cost recognition criteria geared to total expenditure, applicable to all facility services (referred to as “ROSS-base”) and, at a later stage, particularly for larger operators, the development of a comprehensive approach with the addition of service objectives (the “ROSS-integrale”) based on companies' business plans.

A first important step was taken with Resolution 163/23, with which ARERA definitively approved the general principles of the ROSS for the period 2024-2031, with the introduction, among other things, of a specific indicator for monitoring economic-financial performance (the return on regulatory equity - RORE), a tool that, once refined, will provide useful indications both *ex ante* and *ex post* on the actual performance of regulated companies.

The new criteria will find concrete application in the specific regulations of each facility service starting in 2024 and will be an important first step towards a full removal of the capex bias that can be fully realised with the development of ROSS-integrale.



We are on a journey, a sort of survey of the wide range of interventions that the transition to the new energy system requires us to develop in order to avoid addressing the new world with old tools.

Right now, there are great expectations surrounding the development of energy communities.

I already emphasised last year the attention that, in building energy communities, must be paid to the implicit contradiction between the increasing level of supranational integration of electricity systems and the fragmentation that can result from local subsets seeking to optimise the balance between supply and demand.

It is a further cue that we include in the “era of contradictions”, knowing that even here it is easy to recognise the potential benefits of activating communities on the issue of energy generation and sharing.

While waiting for the indications regarding the incentive component of Energy Communities to be made available, we are witnessing a blossoming of initiatives consistent with the relevant objectives that are likely to be assigned to the instrument in the PNIEC, in terms of generation capacity but also with respect to the plurality of objectives that CERs (renewable energy communities) should guarantee.

It is quite evident how very often the debate around these initiatives focuses on the necessary technical and regulatory aspects, at the risk, however, of completely losing sight of what seems to be the main element, I would say almost sociological, that needs to be addressed in order to allow the instrument of CERs to reveal their full potential.

Our society, pervaded for years by a strong individualist drive, decides (again, a contradiction to be resolved) to rely on a distinctly community-based and aggregating initiative to overcome the limits of individualism, which manifests, for example, precisely in NIMBY.

When building energy communities, it will therefore be important to pay great attention to community building, especially when the motives and aims of CERs are oriented more towards supporting environmental and social initiatives than enhancing investment in renewables.

Another aspect of CERs that is worth recalling is that they represent the completed effect of the enhancement of the customer in his elementary role as, precisely, an energy customer.

For the first time, the customer does not enter the system as an entity requesting services or occasionally playing the role of energy producer (prosumer).

In CERs, the customer plays a complete role, with the characteristic of modulating consumption and shifting it over time, so as to chase the characteristics of the generation.

Since CER is nothing but a declination of diffuse fuel gas, the presence of energy customers in it is just as relevant as that of producers and, indeed, in some ways, is a fundamental enabling factor of the CER incentive mechanism.

This is an aspect on which I feel that not enough has been said yet, at least in terms of services and configurations to be offered, and for which I believe that the CER world will be able to make interesting proposals in the future.



One energy service of a distinctly territorial nature is, of course, district heating.

Starting in the second half of 2021, at the same time as the increase in natural gas prices, there was a gradual increase in the prices of district heating services.

This is why ARERA has launched a special investigation into the development of prices and service costs in order to reconstruct the causes of the phenomenon.

The district heating service is generally provided, in each territorial area, by a single vertically integrated operator in all stages of the chain, in what is essentially a monopoly regime.

In this sector, it seems unlikely to introduce free network access mechanisms aimed at promoting competition between several operators, since, in view of the small size of district heating systems, even the activity of producing thermal energy can be considered a natural monopoly.

The definition of cost-reflective regulated tariffs will at the same time make it possible to overcome the critical issues encountered in the functioning of the market and to ensure fair service prices.

On the other hand, the guarantee for operators to recover their costs and to obtain an adequate rate of return on their invested capital could ensure a favourable environment for further development of the sector.

Proceedings have recently started that will lead to the first tariff regulation of the sector by 30 September next, hopefully in line with the start of the winter season.



Before the conclusions, I think it is important to recall some aspects that cut across the different sectors and that characterise and complete ARERA's activity.

ARERA's enforcement and customer protection also played an important role in 2022 in ensuring the protection of citizens/customers and guaranteeing the implementation of the regulation.

Checks and inspections carried out at regulated entities led to infringement charges amounting to 6.8 million euros.

In particular, the disputes concerned compliance with customer protection rules by energy and gas suppliers, in view of the end of the protected market also for households. There was also a constant focus on the safety and quality of electricity and gas services. In these activities, the cooperation with the Tax Police, which started back in 2001, proved to be positive and fruitful. A Preliminary Agreement was also signed with the Carabinieri police corps to strengthen controls, combining the financial and economic expertise of the Tax Police with the environmental expertise of the Carabinieri.

In 2022, the role and development of the judicial function at ARERA was further strengthened, as an alternative forum to the judicial one, for the settlement of disputes both between operators and energy facility managers and those concerning the connection to the grid of plants producing electricity from renewable sources.

In this respect, there was a significant increase in the number of complaints filed (132 compared to 80 filed in 2021). ARERA's decision-making process for such disputes is an easily usable, free-of-charge tool that is able to provide answers to claimants' requests for protection in a very short time compared to the time taken by court litigation, on average 8 months and 29 days in 2022. There was a further increase in the number of cases where complaints were resolved before the conclusion of the decision-making process and even before the proceedings were initiated (32.6% compared to 30% in 2021): all to the benefit of regulatory compliance and litigation deflation.

The Energy and Environment Consumer Help Desk has continued to represent a fundamental safeguard for customers in regulated sectors, even more so in the energy sector where the forthcoming abolition of protection regime offers and the price crisis has led to a more conscious and specific demand for information and assistance from final customers.

The toll-free number of the Helpline recorded more than 1,200,000 calls in 2022, mainly from the energy sectors, doubling the incoming volumes compared to 2021. The increase was largely due to the request for information related to the energy price crisis and the management of social bonuses for electricity and gas, given their economic significance and spread during the year. User satisfaction ratings were remarkably high, in line with previous years.

Calls from customers and users of services regulated by ARERA are dealt with by means of special information procedures or with detailed feedback on the applicable regulation and the tools for resolving the problem or dispute; in more than 22,000 cases, special procedures were activated to provide immediate resolution to the problem highlighted.

The Conciliation Service has proven itself an effective tool for the rapid and cost-free resolution of disputes between customers/users of services regulated by ARERA and their suppliers, which are not resolved by the operators with a complaint.

Through the Service's platform, always in step with the digital evolution and easily accessible to all customers and their representatives, more than 24,300 conciliation applications were filed in 2022, an increase of 19% compared to 2021, in about one out of every two cases related to the electricity sector. The parties reached an agreement, thus closing the dispute without having to go to court in 69% of the cases; the procedures have ended in an average of 54 days.

Conciliation has not only resulted in significant time and cost savings for customers, who are unlikely to resort to ordinary justice to resolve disputes with suppliers, but has also enabled families and companies to obtain, through the agreements, an overall economic benefit of almost 20 million euros in the form of recovered value or refunds, compensation, recalculation of incorrect billing, waiver of expenses and default interest, etc. For the Conciliation Service, the satisfaction rate is also very high, reaching 96% out of approximately 7,700 questionnaires completed by customers at the end of the procedures.

In 2022, the compulsory attempt at conciliation, already effective in the energy sectors, was extended to the water and district heating sectors, at the Service and other qualified bodies, including the joint conciliations and the Chambers of Commerce that are members of the agreement between ARERA and Unioncamere, renewed at the end of last year. This path, which was gradual and shared with stakeholders, found its completion a few days ago with the full compulsory nature of conciliation for all water utilities.

The compulsory participation in conciliation for energy and water operators and district heating operators guarantees the effectiveness of the compulsory attempt at conciliation, i.e., it allows the customer to actually meet in a “virtual room” with his supplier, in the presence of a third and impartial conciliator, to try to resolve the dispute, rebalancing the physiological asymmetries between subjects with very different contractual and organisational strengths.

It is an obligation that is constantly monitored and enforced by ARERA, through targeted moral suasion actions, injunctive and, where appropriate, sanctioning and prescriptive measures.

In this complex and articulated framework, the role of customer associations is confirmed, not only as a constructive impulse to ARERA's activities, also in the context of technical tables and comparisons related to innovative regulatory measures, but also as a specialised and qualified assistance for the benefit, *inter alia*, of customers who are not accustomed to using IT tools or who have a reduced ability to analyse problems related to their supply contract.



With reference to enforcement activities, ARERA has first and foremost directed its action towards incorporating the new developments that have emerged from national and EU case law on the exercise of enforcement powers. This prompted careful reflection, the results of which will soon be the subject of a consultation document as part of a broader update of the Sanctions Regulation, which is still ongoing.

In this context, there will also be a rationalisation of the instrument of commitments, an innovative tool in the regulator's "toolbox" that enables it to look at cases of regulatory violations as opportunities for improving conditions in regulated markets rather than as mere episodes deserving of a punitive response. In order to guarantee effective protection of the interests underlying the violated provisions, and in particular of the interests of customers, ARERA, in the context of sanctioning proceedings, has continued to make "wide-ranging" use of the related power to order operators (especially in the water sector) to cease conduct that infringes users' rights, declining in positive terms a typically inhibitory power and in particular ordering operators to return to users the undue advantages gained from the violation subject to sanction.

2022 was the year of emergence of new offences. In fact, the first two penalties were imposed for violations of the Remit Regulation (Reg. EU 1227/2011), i.e., for violations in wholesale market integrity and transparency, which can be attributed in particular to the offence of market manipulation.

In addition, a particularly "odious" type of offence was intercepted, consisting in the disconnection of the supply of electricity and gas to end customers who were not in arrears, and who were therefore disconnected for reasons exclusively related to bad business relations between different operators in the supply chain (this offence was considered particularly serious and therefore resulted in high fines, totalling around 1.5 million euros).



The new organisation of ARERA

A few days ago, ARERA reorganised its internal structure in a synthesis of continuity and innovation. The new organisational set-up aimed above all to make regulatory activities more coherent and to configure a different set-up for the environment sector in recognition of the progress made by the various regulated sectors.

It is a structure that is open to collaboration and ready to welcome new resources as they are selected.

In the energy sector, integration between the retail and wholesale markets was promoted, as well as a clearer focus on system-supporting instruments that now play a more than fundamental role as we have seen in the management of recent crises. On the facility front, a greater focus on the integration of the electricity and gas sectors in the light of developments that will continue in the near future.

Interventions in the environment sector recognise that the progressive maturity of sectors and regulation opens up the possibility of a more integrated vision.

Organisational structures are important because they give order to processes and make objectives and responsibilities clearer, but the fundamental element always remains the people who make ARERA's value substantial.

To them goes my personal thank you and that of the entire board.

At ARERA, we are also tackling a challenging project to enhance remote working, an initiative to reconcile home-work commitments, minimise the carbon footprint of commuting and make the most of digital technologies that have enabled ARERA to maintain pace and quality of work since the initial Covid phase.

Taking this situation out of the emergency context is a challenge for a modern and efficient administration as indeed ARERA strives to be.



Authorities, Ladies and Gentlemen, Guests, this marks the conclusion of this report dutifully occupied by the usual thanks that are not an empty exercise in style but the genuine public acknowledgement of how much ARERA's activity finds in a dense network of relations and collaborations an essential support.

I would like to take this opportunity to extend the thanks of the entire Board and the Offices to the Council of State and the Lombardy Regional Administrative Court, the State Legal Advisory Service, the Court of Auditors, and the other independent Authorities for their continuous and effective cooperation.

Thanks are also due to the European Union Agency for the Cooperation of Energy Regulators, the National Council of Consumers and Service Users, the GSE group, RSE, ENEA, the Regions and local autonomies, Anci and the governing bodies of the districts.

On this occasion, I would like to extend my special thanks to the CSEA, its outgoing board and the newly formed one, and naturally, also to the women and men who work there and have collaborated so much during this very delicate phase in promptly implementing the various initiatives undertaken.

Finally, to our Board of Auditors, to the Evaluation and Strategic Control Unit, the Carabinieri police corps with which valuable collaboration has begun and - with special thanks - to the Tax Police, which, through the Special Goods and Services Unit, provides daily support to our activities.



Two years as intense as these last two struggle to find space in the short horizon of this report and of the little I have said much I wanted and perhaps should have added.

We are living in one of those passages in history where reference points change. We have moved away from globalisation and towards a regional fragmentation in search of energy autonomy and security that will expose customers to new and unexpected costs within a transition path that requires stability of direction and credible targets.

I have tried to represent the broad spectrum of initiatives on which ARERA's resources are constantly engaged, to make understand that none of them can stand on its own. The energy system is a complex system, maybe chaotic but definitely complex.

A complex system in which "*tout se tient*".

Perhaps it will not be a flutter of a butterfly's wing in Japan that will cause a tornado in Mexico, but the world of decision-makers is undoubtedly called upon to confront a systemic complexity probably never experienced in the past, in which the speed of innovation and the large number of players involved wrests the governance of systems away from the illusion of centralised control cabins and imposes a responsible, connected and integrated vision of initiatives, to try to govern the progress of the energy transition with the necessary costs and seizing the maximum opportunities for the real protagonist of all this work: us in our daily role as customers who use energy, water and waste to make our country grow and leave it to our children better than we found it.

Thank you.



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