

Authorities, ladies and gentlemen, on behalf of the Board, I would first of all like to thank the President of the Republic, Sergio Mattarella, who recently received us at the Quirinale, for his constant interest in our activities.

I would like to thank the President and the Bureau of the Chamber of Deputies for their hospitality and for their words of appreciation for the work that this Authority is doing.

Finally, I would like to welcome and greet the representatives of Parliament and Government who are present here today. This is in a number that has been limited due to health policies of course, but it is one that still represents the whole country.

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The rather slow emergence from the pandemic crisis reinforces the feeling that we are living through a period when we need to make clear-cut decisions and take actions capable of leading our future in a different direction.

What we call the ecological transition is a great series of changes that we have consciously decided to make, in the light of our ability to study the present and imagine the future, and not because of any obvious immediate technical or economic advantage.

This is a 'condition that is unique in human history, at least compared to the irreversible events that we are trying to prevent. Humanity as a whole has had to ask itself how to direct its efforts, to ensure that its children have the opportunity to pursue their futures.

Our own children have begun to remind us of this.

The normal uncertainty of the future has been intensified by an unforeseen factor: having to deal with the survival of the world as we know it.

Therein, it seems to me, lies the main commitment being made in the name of sustainability.

We have been through a period of debate on the major medium- and long-term objectives and now see them as more necessary than ever.

We then became aware that objectives alone were not sufficient, but that it was also necessary to clarify the action to be taken and the path to be followed in order to achieve them.

Today a new dimension has been added to all this, a temporal dimension.

There is a sense of urgency that has no doubt been driven by the results of scientific research but which has also been heightened by the pandemic.

These days, this sense of urgency is being further spurred on by trends in the energy markets that demonstrate the cost of uncertainty.

The disappearance of historical assets (e.g., long-term hedging on energy commodities) and the slow development of renewables and the infrastructure needed for their systemic integration (grid, storage and flexibility services) put us in a very vulnerable position.

The nightmare we experienced with COVID offered a different understanding of the relationship between the State and the Market.

The need to intervene with initiatives to protect people's health, but which at the same time could also strongly influence the free action of economic forces, has, consequently, made it clear that the economy is in need of solid support.

It seemed only natural that this support should be oriented towards trajectories to improve "sustainability".

However, the extraordinary nature of this intervention must, of course, be balanced with its sustainability, in two senses. Firstly, the economic impact of the financial measures will be all the greater the more concentrated and immediate these measures will be. Secondly, this unusual departure from what were the established "rules" before COVID struck will not last much longer.

The sense of urgency has therefore increased.

The need for the ecological transition is recognised and supported by many but, in practice, it requires complex work involving various public

and private actors and all the various local authorities, so it is not always easy to accurately estimate the timeframe.

This transition, although accepted and agreed upon, risks presenting us with extra costs that could affect the more vulnerable groups the most. This is the theme of “fair transition”, to which the European Commission also devoted specific attention in the declaration of the new objectives of the European Green Deal.

If attention to the most vulnerable groups is a sign of a society's maturity, this becomes even more relevant at the end of an extraordinary economic period such as the one brought on by COVID, which has worsened social inequality.

The Authority's activities have developed and will continue to develop on this dual track of supporting the ecological transition and focusing on consumer protection, aimed both at the more vulnerable categories and at all others (to enable them to benefit from advanced services at competitive prices).

These two tracks are only apparently separate.

The efficient development of instruments for the ecological transition has an effect on the costs that consumers will have to pay and effective consumer protection will minimise any negative spill-over effects.

The declaration of this principle, in the case of the energy transition, takes the form of developing market instruments that allow an efficient development of the energy system, characterised by a prevalent renewable and distributed generation, while consumer protection takes the form of an efficient and competitive retail market, together with tools for vulnerable consumers, which is something we will return to.

It is well known that the progressive development of renewable resources and their increasing penetration in the electricity sector require significant investments in the infrastructure required to integrate these sources into the system, with a strong focus on the extension and automation of grids and storage systems.

These "hardware" projects must be accompanied by the gradual adaptation of market models to better coordinate the use of available resources.

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An emblematic example are ancillary services, the services needed to keep the electricity system in balance.

With the gradual disappearance of large thermoelectric plants, which supplied these services in the past, there will be more and more participation from other facilities, such as small and widespread production units and/or consumption units, the nature of which increases the relevance of the coordination action that the market needs to take.

This is the context for the ongoing process of reforming dispatching regulation (Integrated Text on Electricity Dispatching - TIDE), the complexity of which demands a shared and inclusive process, which has been supported by the numerous pilot projects launched in the last year.

The objective is to define the new regulation and market mechanisms by the first quarter of next year, with a process of completion and implementation that has already seen the first elements come into operation with the launch of the coupling of the intra-day markets (XBID), which has added another important piece to the process of integrating Italian markets with those of other European countries.

Investments and market design do not cover all the work that needs to be done.

It is essential that system operators optimise their methods for managing dispatching.

It is precisely with this objective in mind that we are in the process of defining advanced and completely output-based incentive mechanisms, which make the national grid operator, Terna, responsible for dispatching costs, such as those currently being defined following the recently completed consultation.

Aligning the interests of the grid operator with those of the electricity system leads to an increase in process efficiency and enables the grid operator to optimise its investment and management choices, while also increasing the sustainability of the system as a whole.

In this scenario, the distributors themselves will be called upon to be neutral facilitators in finding resources for ancillary services useful for

the system, but also to be buyers of useful resources to better manage their own networks.

To this end, the Authority has launched a new targeted and dedicated trial.

The new roles of distributors will inevitably require in-depth studies aimed at assessing whether the current unbundling rules are still sufficient to guarantee the full neutrality of distributors, particularly in their new role as purchasers of local services.

In this context, the monitoring of the wholesale energy markets carried out in 2020, which focused on a specific aspect of the market for the dispatching service regarding the procurement of resources for voltage regulation, identified structural situations of market power holding by some operators in the period 2011-2019.

The competitive structure of this market segment is also critical for the future. The demand for voltage regulation resources, as mentioned and also highlighted in Terna's Development Plans, is set to increase. The number of production units able to provide the service is decreasing, and we have seen how the installation of grid devices that can provide the same service takes a long time.

In other European and non-European systems, resources for voltage regulation are supplied outside of market-based principles, typically by applying regulation based on the costs of providing the service required.

Recent developments in European legislation and, in particular, Regulation (EU) 2019/943, effective as of 1 January 2020, now also allow our country to derogate from the market criterion where there is no effective competition.

The Italian Authority has always been an active participant in the process of constructing the European energy market and believes in cooperation between regulators as an indispensable tool - together with cooperation between network and market operators - for achieving a shared framework of rules, while respecting the specific nature of individual national markets.

In this context, I would like to note with some satisfaction the reappointment in July this year of Clara Poletti, a member of the Authority's board, for a second term as chair of the Board of Regulators

of the European Agency for the Cooperation of Energy Regulators (ACER).

While there have been positive results on the borders with other EU Member States, such as the launch of XBID, there has been a deterioration in the way trade is handled on the Swiss border: the failure to reach an agreement between the European Union and the Swiss Confederation has resulted in the exclusion of the latter from all European electricity market integration projects and is likely to have a particular impact on our electricity system, which is strongly interconnected with Switzerland.

The energy transition brings with it demanding investment and modernisation plans, and regulation is called upon to support them through remuneration levels in line with costs, stimulating efficiency and effectiveness to protect the interests of the end users of the service.

This must be accompanied by infrastructure planning that is increasingly focused on assessing the effectiveness and usefulness of investments, with a view to optimising energy solutions overall.

During 2020, the Authority took important steps in its plan towards Regulation by Cost and Service Objectives (known by its Italian acronym ROSS) in infrastructure services in the electricity and gas sector. In the Authority's opinion, it is the most suitable tool to support the energy transition in compliance with the objectives mentioned above.

The process of defining the general criteria for determining the recognised cost to be applied to all regulated infrastructure services in the electricity and gas sectors has begun and, more recently, the first consultation document was published to revise the criteria for determining the rate of return on invested capital, for energy infrastructures regulated through the tariff.

In this context, proposals have been developed to design regulation capable of adapting to the changing conditions of the financial markets, favouring efficient financing of the considerable investment needs associated with the energy transition.

The model of regulation through objectives (ROSS), currently being developed for energy infrastructures, has already found its first specific application in an equally specific area of the Authority's competences,

i.e. the recognition of charges connected with nuclear decommissioning, which the law has entrusted to Sogin SpA.

The Authority has reformed the regulatory system which, using detailed planning of the activities scheduled for the three-year period 2021-2023 and introducing a new and detailed system for measuring the structural progress of Sogin's activities, provides for repercussions on the costs recognised in relation to any delays, together with other efficiency-based incentive mechanisms.

This regulation was also created in technical collaboration with ISIN, the institution responsible for aspects of nuclear safety, which I would like to take this opportunity to thank. It is a piece of regulation that explicitly invites Sogin to overcome the delays that have occurred in the past.

Italy can no longer afford to fall behind on this front.

Decommissioning and identifying the site for a national radioactive waste repository (which has finally begun in recent months after years of delays and hesitations) cannot wait.

Wasting any time would mean burdening future generations with unacceptable economic and environmental costs. The Authority, also thanks also to the support of the Special Unit for Goods and Services of the *Guardia di Finanza (Tax Police)*, is committed to monitoring costs and the new regulation provides for the activation of safeguard mechanisms to protect end customers in order to prevent further delays from having an impact on their bills.

Aspects of infrastructure planning, which I believe to be paradigmatic, have been seen in the assessment of infrastructural options for the energy development of the Region of Sardinia.

The studies that the Authority has asked RSE Spa to undertake, and I would like to take the opportunity to thank them for their daily collaboration with our offices, are a good example of a new way of evaluating infrastructural development from an integrated energy perspective.

This is a multi-sectoral cost-benefit analysis, applied at a system level (system costs + externalities), looking for the configuration that minimises the overall cost from now until 2040.

RSE, together with the University of Cagliari, has estimated the future increase in demand and, on the basis of infrastructure projects, has defined five configurations each with a different mix of gas and electricity infrastructures with the aim of satisfying energy demand under different macroeconomic scenarios and ensuring the adequacy/safety of the electricity system.

The transition, as we are now experiencing it, brings with it significant costs: with limited resources, it is crucial to choose which investments to make (which for energy networks have a life span of more than 40 years) and which to prioritise.

This requires extensive and careful analysis.

The Authority can offer the technical expertise and independent judgement to consider all available alternatives in terms of energy infrastructure configurations, to be followed by timely and considered decisions, within a clear national energy policy framework that respects EU principles.

In this sense, Parliament has a major responsibility to outline a regulatory framework that sets consistent objectives and avoids contradictions as in the case of the rule introduced in 2020 (Article 114-ter of Legislative Decree no. 34/2020 converted into law no. 77/2020) which, as reported by the Authority, has created the conditions for the development of gas infrastructures in some areas of the country without any cost-benefit analysis and with the high risk of passing on undue costs and inefficiencies to end customers.

Evidence arising from the progressive liberalisation of the energy sectors and the specific requirements related to the decarbonisation process call for reflection on the suitability of introducing instruments that can transfer the risk linked to investments in certain types of infrastructure from market operators to the system as a whole.

Thus, for example, the traditional incentives for renewable resources have been progressively replaced by auctions managed by the GSE which on the one hand guarantee the operator a defined price for the duration of the investment and, on the other, guarantee the system coverage from high prices.



This mechanism does, however, require some fine-tuning in order to become more efficient: quotas should be defined by geographical area in order to better direct the construction of renewable plants where they can actually be authorised and integrated into the electricity network, so that their deployment takes place in line with the development of electricity grids (in terms of space and time), reducing the risk for investors and the resulting costs to the community.

In this context, the initiative to extend the mechanism of forward auctions to storage, as provided for by the draft legislative decree implementing Directive (EU) 2018/2001 on the promotion of the use of energy from renewable sources, is welcome.

These infrastructures, which are necessary to accompany the increased deployment of the “new” and uncertain renewable resources and their integration into the energy system, are exposed to a very high price risk that could jeopardise their implementation if these mechanisms are not put in place.

For example, the capacity market is basically for "insurance", insofar as it is aimed at guaranteeing the adequacy of the system, that is, guaranteeing that consumer demand is always met.

Since this objective is pursued independently of technological solutions, this market should play a residual role in directing investment choices towards technologies for the development and integration of renewables into the electricity system as opposed to other instruments (such as auctions) that are more suitable for making these choices with a view to decarbonisation.

A proposal on the adequacy standard of the Italian electricity system, drawn up on the basis of a specific study commissioned from Terna, was recently submitted to the Italian Ministry for Ecological Transition, and the latest provisions are in the process of being adopted which should allow the next auction to be held by the end of the year.

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In this overview of the development of the electricity system, the increasingly central role of the end consumer cannot be overlooked.

In both EU and national plans, energy communities will be an important tool for directly engaging consumers and local authorities in the decarbonisation process.

It is important that this instrument be fully implemented, so as to keep markets running smoothly and to ensure, as provided for in European legislation, that the end consumer retains their rights, also with a view to simplifying administrative procedures.

The virtual model that the Authority has implemented meets these requirements, in advance of the deadlines set by the European legislation in implementation of Decree-Law No. 162/19, which allows end customers to manage their supply independently of their participation in the community.

End electricity consumers will also have to deal with the very ambitious targets for the development of electric mobility, which will entail requirements for vehicle charging.

The impacts on the growth of energy demand will be relatively limited but, in the absence of targeted initiatives, potentially very significant on the growth of power peaks withdrawn and therefore on investments in grid reinforcement.

For this reason, it is crucial that forms of "adaptive charging" (or smart charging, if you like) are developed, an important form of active demand-side participation in markets and in the provision of flexibility services.

The setting up of a technical committee featuring the associations involved in the issue in various capacities led to the development of a trial that began on 1 July: owners of electric vehicles can recharge their vehicles at 6 kW at night and on public holidays, under certain conditions, without requiring power increases beyond the 3-kW contract typical of domestic customers, with real savings.

The Authority believes in innovation.

Last year we mentioned the imminent launch of projects, called "regulatory experiments" to improve the quality of the electricity service, with the primary objective of reducing the gaps that still exist, particularly between the North and South of the country.

These experiments are ongoing, are of significant importance, they affect about one third of national users and are based on innovative technical solutions as well as on limited exemptions from current regulations.

These should be viewed as experiments for the implementation of new regulatory frameworks for the coming periods.

The results will be seen during the four-year period 2020-2023, but early data are already offering encouraging signs and confirming the commitment of companies, which are also being called upon to make the electricity grids more resilient to the stresses caused by extreme weather events.

On the issue of resilience, the close relationship between investments by electricity distributors and the *Piano nazionale di ripresa e resilienza* (PNRR) is evident.

Climate resilience, in fact, is one of the aspects on which Mission 2 of the Plan focuses, together with making electricity grids “smart”.

The distribution system is therefore called upon to make an unprecedented investment effort, with obvious benefits that have already been seen on a small scale in the pilot projects launched a few years ago by this Authority and then developed, thanks to European funding, in the project which covered the Puglia region almost in its entirety.

The regulation will not shy away from providing the tools to ensure that the aims of a national roll-out of the already technically mature experiments are met, while respecting the reciprocal roles of the administrations involved.

As mentioned in the introduction, the other course of action is consumer protection.

2021 was an important year with, among other things, the launch of two major initiatives: the elimination of electricity price protection for the small company category and the launch of the automatic payment of social bonuses.

From 1 January this year, small companies and micro companies with at least one delivery point with installed capacity of more than 15 kW,

which have not yet chosen a supplier on the free market, are supplied in the gradual standard offer service.

It is perhaps worth remembering that the gradual standard offer service is the name given (by the 2017 revision of the competition law) to the service of last resort, specifically designed to intervene to protect small consumers, in the initial stages of removing price protection, to prevent unjustified increases and alterations in supply conditions.

It is therefore an evolving instrument, the current regulation of which will be progressively phased out in order to increase the transitory characteristics of the supply typical of a service of last resort.

The development of the tendering procedures required intensive and punctual work, which was completed during the pandemic period, keeping to schedules and deadlines.

An analysis of the outcomes of the competitive procedures shows, in general, that the auction instrument has been effective in ensuring equal treatment of market players and the most competitive outcomes possible.

Adherence to the tender procedures was consistent, with a number of operators successfully passing the strict participation requirements defined by the Authority.

This high participation has led to the emergence of allocation prices which, in the majority of cases, are cheaper than those of the standard offer service.

Many operators are likely to have discounted at least part of the cost of acquiring customers subject to tender as a result of competitive pressure.

However, it would be wrong to imagine that the move towards totally eliminating the standard offer service, even for households, would be straightforward to implement in replicating well-established instruments.

This is a path that will require a lot of work, in which the selection of reliable operators capable of providing the service correctly will have to consider the large number of customers still under the standard offer service and the greater market concentration (approximately 14.5

million points compared to the 212 thousand points transferred, from 1 July 2021 to the new operators of the gradual standard offer service).

It therefore seems necessary to trace a gradual path, giving priority to micro-companies, which allows an adequate number of operators to compete, in order to gradually increase their market share and acquire and efficiently manage a significant portion of end customers among those currently still using the standard offer service, while also ensuring that the right forms of protection for vulnerable customers are identified.

The process must also be accompanied by communication campaigns with the participation of all institutions involved and with a careful selection of target groups and messages.

Only by ensuring coordinated and continuous information will it be possible to limit the uncertainty experienced by customers, who are disoriented by the aggressive marketing activity of call centres and by sometimes misleading advertising messages.

It is indicative, in this sense, that even among small companies - for which the end of the standard offer featured two stages of coordinated communication with the union of the Chambers of Commerce and ten trade associations - there are also customers who claim to be unaware of the deadlines and the change of supplier that took place on 1 July.

The Authority has already specified on previous occasions the conditions for the efficient development of a retail market in the energy sector and is actively committed to ensuring that these conditions are met.

To this date, much emphasis has been placed on improving the consumer's ability to make an informed choice in the marketplace. Yet it would be wrong to imagine that the development of an efficient retail market can solely be achieved by increasing the consumer's ability to choose or understand the offers and mechanisms of a sector that certainly has its own specific features.

Above all, it is useful to broaden the focus from consumers' behaviour to that of retail companies, doing away with the idea that the free market exists in a complete and somehow "optimised" form.

The recent retail market monitoring report, published in July 2021, brought to light several pieces of evidence that are definitely useful for charting out the path, but I would like to focus on two of them in particular for a few reflections.

The first is the one for which it is clear that, in the majority of cases, the end customer switching to the free market chooses an offer that is economically less advantageous than the standard offer service even if there are potentially, albeit fewer, more advantageous offers.

This emerges from the analysis carried out on a sample of customers who left the standard offer tariff in the period July 2020 - June 2021, considering the information on the contract signed with the new supplier and the estimated cost of the offer, as it appeared at the time of the choice in the *Portale Offerte* (Offers Portal), ARERA's online comparison tool for electricity and gas deals.

It has also emerged that almost all the contracts signed by customers who left the standard offer service are at a fixed price, signed after being contacted by a call centre or a sales agent and in most cases have few additional services, which are generally not economically assessable and therefore not considered in the calculation of the annual expenditure made by the *Portale Offerte*, ARERA's online comparison tool for electricity and gas offers.

The second consideration concerns the *Portale Offerte*, which does not yet have enough users to be considered central to the decision process. It is therefore quite clear that customers are being guided in their decision by means of promotional and marketing tools that go beyond the simple evaluation of the price of the commodity.

Here the regulator must naturally question the reasons for a non-price advantageous choice, which could give the impression of consumers who are unable to correctly assess the value of energy (and therefore the price) and thus defend themselves from market pressures.

In this context, the Authority has launched a number of initiatives aimed at strengthening consumer protection.

In short, the main innovations include the introduction of a summary sheet summarising all the data points of the commercial offer (including a unique identification code of the offer, which will allow an easier

comparability of the same) and highlight not only the estimated annual cost of the offer but also providing for the introduction of synthetic price indicators, important new elements designed for comparing offers.

In addition, at the contractual stage, further obligations have been laid down with regard to consumer communications in the event of unilateral contractual variations and automatic changes in economic conditions which entail a change in the unit fees determined by the supplier (for example, the expiration or reduction of discounts, the transition from a fixed price to a variable price and vice versa, etc.).

This took the form of the revision of the Code of Commercial Conduct, which took effect for the pre-contractual part from last 1 July while the contractual part will come into force from 1 October.

The long process of setting up the Electricity Suppliers List is finally coming to an end.

The presence of a list will hopefully make it possible to regulate the number of active suppliers on the market (currently in the hundreds and constantly increasing), ensuring that authorised companies possess the minimum size specifications to operate in a sector where significant financial commitments are required to guarantee supplies.

And this brings me to the very delicate issue of guarantees.

The current system of guarantees, which originated in the process of opening up the retail market and which has been subject to subsequent targeted interventions, is designed to ensure adequate exposure hedging for the system against potential situations of supplier default. At the same time, it must take into account the need not to create potential barriers for the same suppliers due to the cost and possibility of obtaining guarantees of large amounts.

The jurisprudential recognition that the supplier is not required to guarantee certain fees not collected from the end customer to the entire supply chain (especially for the electricity sector in terms of general system charges) has led to the introduction of socialisation tools accompanied by regulatory instruments able to promote the efficient recovery of unpaid bills.

In few years, situations have already arisen which, in total, have led to the need to recover resources amounting to some 800 million euros in cases involving a relatively small number of operators.

Considering the importance of the issue, the Authority has adopted specific provisions aimed at reducing exposure for the system, which also benefit suppliers in terms of reducing the level of guarantees and refining the interventions for the regulation of economic items and the regulation of guarantees.

Among other things, the new regulation has reduced the time allowed for operators to settle their positions in the event of default and made the consequences of any deviations from expected behaviour much more stringent, while at the same time refining the quantification of guarantees in the event of significant transfers of delivery points from one user to another.

The recent regulatory provision that requires the Authority to formulate a proposal for a method of collecting the amounts invoiced by suppliers, which excludes the supplier from the process of collecting general system charges, seems to have the aim of minimising the overall exposure for the system.

The Authority is actively involved in the development of this proposal, but the complexity and scope must not be underestimated.

Excluding the supplier from the process of collecting general system charges will entail not only the need to have a single, central structure that is able to receive detailed information on all invoices issued and the related collections for all end customers (around 36 million), but also to define specific measures regarding the issue of these invoices and operating procedures for managing collections.

The considerations on energy prices made a few months ago have now been totally overtaken by an absolutely extraordinary price dynamic.

After the sharp drop that characterised 2020, the activation of the economic recovery at the start of 2021 but above all the evidence of the effectiveness of the vaccination campaign led to a sharp acceleration in all the costs of raw materials, with changes that in the space of a few months projected trends decisively towards historical highs.



It is important to point out how effective cooperation between the Authority and the Government has made it possible to activate and implement instruments aimed at limiting the impact of these changes for consumers in general.

This was done by acting on the components of the general system charges on at least two main occasions: in the second quarter of 2021 through the repetition of an intervention already carried out in 2020 (freezing of the fixed power quotas for small companies for a total amount of 800 million euros) and on the occasion of the change in the third quarter of 2021, with a generalised containment of the component supporting renewables (Asos) for a total amount of 1.2 billion euros.

These are initiatives of particular interest because they reinforce the path that the Authority has proposed many times, to gradually transfer general system charges to general taxation.

It is worth noting that the June intervention was based on an instrument that the Authority has been recommending since December 2018, namely the use of resources deriving from the allocation of CO2 emission quotas.

It is easy to foresee that the upward pressure on prices will continue in the immediate future and medium-term forecasts so far suggest a very slow process of realignment to lower prices. This calls for reflection on the appropriateness of making some of these interventions structural, including the possibility of permanently allocating a share of the growing revenues from CO2 auctions to reduce general system charges.

The sudden changes in the prices of raw materials and the correlated effect on energy prices also have a clear impact on performance in the standard offer and free market.

While in 2019 a differential between the price in the free and standard offer markets had been observed, which was significant but consistent with the trend of recent years, in 2020 this differential widened significantly.

The standard offer price followed the sharp decrease in the wholesale price, while the prices of the free market (typically characterised by offers at a fixed price) remained at higher levels.

It is quite clear that the situation of the energy market is directly linked to an evolution of the international gas market, which for some time has been oriented towards flexibility and spot trading of the commodity, indeed making global price dynamics capable of more quickly influencing even consolidated markets, such as the European one, for significant shares, if not for the entirety, of energy requirements.

The development of liquefied gas (LNG) and the opportunity it offers to "follow" the best price conditions has opened up global supply-side competition and new supply possibilities. However, at the same time it has put demand in competition at a global level, for example, making the influence of Asian markets even more direct,

It is important to note that the main infrastructure initiative implemented in Italy and commissioned at the end of 2020, the TAP, has proven to be an effective tool for containing the price differential that has historically characterized the Title Transfer Facility and Virtual Trading Point.

The entry into operation of North Stream 2 will also have an impact on the price dynamics that analysts and forwards expect starting from the second quarter of next year.

All this, however, raises the question of the real prospect of gas as a source of transition. The importance of the commodity in various hard-to-abate sectors and the role of gas generation as an element of grid stabilisation must find a road map that is no different from the one that sets clear targets for the penetration of renewables and offers a clearer direction forward to investors and operators in the sector.

The Authority is looking very carefully at the legislative proposal that the European Commission should present by the end of 2021 to guide the sector's decarbonisation process; hoping that it may be an opportunity to change the current model for allocating fixed infrastructure costs - i.e. also through fees imposed on capacity use for cross-border trades - which the Authority has been pointing to for many years as the main cause of the distortion of price signals and limited integration between the various European hubs.

The ongoing discussion at EU level on the so-called "gas-package" may provide important pointers about the structure of the sector and the role of so-called synthetic gases (syngas).

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The water crises of the 2010s, partly attributable to climate change, together with the difficulties highlighted by the sector in promoting a stable improvement in its infrastructural performance, had led the Authority to define the new regulation for technical quality, which entered into force in 2018.

On the basis of the data available at the time (2016) and certain evidence relating to particularly critical contexts, specific improvement objectives were set for certain technical macro-areas defined by the Authority, requiring operators to accurately identify the measures adopted in different contexts to address critical issues in a timely manner.

Analysis of the information collected in 2020 on technical quality shows a first clear turnaround in relation to the sector's performance, which is an improvement overall for the indicators identified by the Authority.

Nationally, the figure for water losses has improved (now at 41.2% compared to 43.7% in 2016), and there has also been a reduction in the values of the indicators referring to service interruptions, the frequency of flooding and sewerage spills and the rate of limit exceedance in samples of discharged waste water.

Furthermore, more than 80% of sewage sludge is destined for reuse or resource recovery (with agricultural use being the predominant option), while energy recovered in plants such as incinerators or cement plants is limited, though increasing.

The improvements described are the result of stimuli that the regulation has introduced, providing for an assessment of operators by individual development trajectory and then, for comparison, of each operator with respect to the best performers.

The rankings will be published in the coming months, similar in terms of transparency to what has been done for contract quality.

The survey of the state of the water infrastructure on the basis of the latest technical data available (referring to 2019) confirms, however, the existence of a water service divide in the country, with technical parameter values that generally tend to represent more critical situations in the South and Islands.

The water sector has also had nationally uniform contract quality regulation since 2016.

Forty-two parameters are constantly monitored for each water service operator throughout Italy (e.g. number of services provided, execution times, initiation and termination of the contractual relationship).

In the past, the amount of data generated could only be interpreted by professionals, but from this year ARERA has been publishing navigable infographics on its website, which allow anyone to compare the situation in their municipality with the rest of the country or the specific characteristics of their operator.

A high level of service was maintained for 2020 with respect to specific standards.

The values summarised by two macro-indicators that have been applied since 2020 ("Initiation and termination of the contractual relationship" and "Management of the contractual relationship and accessibility to the service") reveal the existence of a water service divide, with lower starting quality levels in the South and in the Islands (areas, moreover, in which there are operators with a lower level of compliance with data communication obligations).

The analysis of investment needs resulting from the plans drawn up for the third regulatory period 2020-2023, confirms the focus of operators' efforts on containing the level of water losses at a national level, which therefore is a priority objective in the planning decisions of local authorities, though in a context of general attention to all aspects of technical quality.

Overall, the resources allocated to measures to reduce water loss account for approximately 21% of total requirements.

In application of the criteria introduced at the end of 2019 within the framework of the MTI-3 water tariff method, local authorities have designated a series of works as "strategic", which are mainly aimed at: the securing and/or construction of aqueducts and new drinking water

plants; the completion of aqueduct rings with cross-sectoral value; the construction of drying plants and the utilisation of sewage sludge; the construction of new purification plants and the replacement of old plants (also for the purpose of overcoming critical situations in agglomerations condemned by the European Court of Justice for non-compliance with Directive 91/271/EEC).

The inclusion of these works in the Piano delle Opere Strategiche (POS), introduced by the Authority to reinforce the approach of the National Plan and aimed at identifying the key interventions, was relevant in setting up Next Generation EU activities.

An analysis of the intervention programmes submitted to the Authority shows that almost 40% of the investments planned for the period 2020-2023 are explicitly classified as environmental and resource costs: of these, 71.5% were classified as investments attributable to environmental costs (referring to purification activities), while the remainder were classified as investments attributable to resource costs (linked above all to procurement and purification).

The process of recovering environmental and resource costs in the tariff, in accordance with the Water Framework Directive of 2000, in the sectors regulated by the Authority, is therefore evident, attesting that the country has definitively overcome its initial critical issues.

The planned investment requirements, including the availability of public funds, amount to 15.5 billion euros for the third regulatory period 2020-2023 (approximately 3.9 billion euros per year), a significant increase compared to the annual investment expenditure of close to 1 billion euros in 2012, the year in which the Authority began water regulation.

The intervention programmes submitted to the Authority lead to the calculation (for the four-year period 2020-2023, including public funding) of a national average investment expenditure of 65 €/inhabitant per year, with a higher value in the Centre (over 80 €/inhabitant per year).

In addition, the checks carried out with reference to the costs of fixed assets included in the tariff have shown (also thanks to the improved reporting and control tools put in place by the regulation) general

improvements in the ability to carry out planned investments, with realisation rates close to 98% for both 2018 and 2019.

Against a growth in investments, user tariffs remained substantially stable, despite the ongoing process of improving the quality of the integrated water service and the use - by some operators - of the regulatory measures introduced to support sustainability and Climate Change resilience.

In fact, by applying the criteria for the recognition of efficient costs introduced with the MTI-3 water tariff method, the average variation of the fees applied to users, compared to the previous year, was equal to 1.97% in 2020, with an average annual expenditure incurred by resident households (3 people) equal to 317 €/year (€2.12 per cubic meter consumed).

It is worth pointing out that Climate Change initiatives are aimed at promoting energy efficiency, the reduction of plastic use, the recovery of energy and raw materials and the reuse of treated water. These are complemented by the coverage of charges related to management efficiency and additional user benefits.

The stability of tariffs in this context of expansion of initiatives undertaken by operators appears to be of further significance and value, with economic recognition given to those operators who have introduced innovative measures in response to sustainability or energy efficiency objectives.

Even in the summary, it is clear that the water service divide is still present in the country, and to overcome it, it is essential that water management be organised and stably fall within the regulatory framework.

In the MTI-3, the provision of a special “convergence regulation” is also intended to promote precisely this path.

In this sense, the Authority has recently examined and approved the first regulatory convergence schemes presented by the competent local authority for 22 municipal administrations operating in Calabria.

This is an extremely important step, in which commitments, actions, deadlines and responsibilities are finally formalised, to allow areas that

have long been afflicted by significant management problems to embark on the necessary recovery process.

This path will be closely monitored by ARERA.

Even with this comforting news, it seems clear the need to reform the governance of integrated water service management, especially in view of the persistence of situations of non-assignment of the service in some areas of the country and the need to overcome persistent shortcomings in the proper drafting and updating of the actions necessary for the adoption of planning and management choices for the integrated water service.

The presence of a fully operational local authority and the completion of the procedures for assigning the service to an integrated manager will be a necessary condition for the allocation of the resources of the Recovery and Resilience Plan and for the effective implementation of the selected initiatives.

It is no longer possible to postpone regulatory action aimed at reinforcing the reliability of assignment timelines and the quality of the programmes, based on a structural and general solution, in addition to the receivership procedure.

Since the initial stages of defining the *Piano nazionale di ripresa e resilienza*, the water sector has emerged as the natural recipient of a significant portion of the expected funding due to its high acceptability and consistency with investment planning acts that have been a feature of regulation in recent years.

In order to "*ensure the sustainable management of water resources along the entire cycle and the improvement of the environmental quality of water*", the Plan identifies courses of action aimed at the security of supply infrastructures, including the reduction of water losses through the digitisation of networks, and the enhancement of the efficiency of waste water purification (including through technological innovation), aimed at moving beyond the existing infringement procedures in Italy and promoting the reuse of waste water.

The Authority has been cooperating with the Ministries and other competent Administrations since 2018, since the Budget Law 205/2017 and the Prime Minister's Decree of 30 May 2019 assigned the Authority specific functions in the selection of the initiatives to be included in the

aqueducts section of the national plan for works in the water sector, and the definition of the methods for the management and supply of the Guarantee Fund for water works.

As the Authority has stressed on several occasions, significant promotion of investment spending in the water sector requires the joint and coordinated use of regulatory and non-regulatory measures, to prevent the progress made in recent years from being weakened - if not nullified - by the severe problems that arose with the spread of the pandemic.

At this stage, it is a priority for the Authority to pursue and reinforce the process of loyal collaboration with the State Administrations involved in the effective implementation of the two main instruments that make up Next Generation EU, namely the Recovery and Resilience Facility (RRF) and the Recovery Assistance for Cohesion and the Territories of Europe (REACT-EU) package. The latter was introduced to ensure complementarity and synergy with other national and European funds already available.

During 2020, the Authority began a survey aimed at identifying the second list of necessary and urgent works for the water sector for the purpose of updating the "water supply" section of the National Plan of interventions in the water sector, with the aim of defining a single plan based on a multi-year programme.

This survey, for which examination of the proposals received is nearing completion, was then incorporated into the activities required to up the acts essential to the implementation of the PNRR, in collaboration with the other competent Administrations (in particular with the Ministry of sustainable infrastructures and mobility - MIMS).

In general, the PNRR provides for close cooperation between the Authority and the Ministry of sustainable infrastructures and mobility in the evaluation and selection of projects, as regards the interventions affecting the various phases of the water supply service, and the Ministry of Ecological Transition (as far as investments in sewerage and purification are concerned).

A further opportunity for loyal collaboration between institutions also appears to be the activity carried out more recently by the Authority



with the MIMS, to draw up the preparatory acts for the implementation of REACT-EU.

On 8 September, on the occasion of the presentation of the 2021 Strategic Foresight Report, the President of the European Commission, Von der Leyen, stressed the growing European interest in the issues of water scarcity and pressure on water supply security, pointing out that some European countries, including Italy, are already under a medium-high level of stress.

The Authority takes this opportunity to emphasise that the path to compliance with the European framework adopted in 2020 is a priority and of great significance.

In particular, EU Regulation 741/2020 on water reuse, the EU Directive 2020/2184 on the quality of drinking water supply and the state of implementation of the EEC Directive 91/271, on urban waste water treatment.

In this context, the Authority, through the network of European Water Regulators (WAREG), engages in a constant process of discussion and comparison at a supranational level, including through the organisation of the biennial Water Forum, the second edition of which will be held on 1 December 2021.

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In the waste sector, the mechanisms for transmitting the impetus introduced with new reforms take place through a complex institutional and management network.

In order to be effective, they must be based on clear signals and follow stable guidelines.

The sector, which is at the centre of considerable technological developments and is characterised by a particularly complex multilevel governance structure and a fragmented management structure, is permanently subject to a system of European Union guidelines, according to the Circular Economy paradigm.

These are elements that, as is well-known, have informed the Authority's approach with the Waste Tariff Method (MTR), based on

forms of gradualism and asymmetry aimed at capturing the salient features of organisational and management complexity.

The pandemic brought about additional cautionary requirements, which have been regulated since last year both in primary legislation and in measures adopted by the Authority.

In particular, at the legislative level, the deadlines for many obligations have been extended, including those relating to the determination of the TARI, the waste tax, also with regard to the current year (this deadline was most recently set at 31 July 2021).

Furthermore, the Authority - in the waste tariff method for the first regulatory period - has maintained certain forms of flexibility in quantifying the recognised costs, including for 2021.

While the difficulties of the context in 2020, on the one hand, have not permitted an orderly flow of transmission of the documentation required under the MTR (since the Authority was able to start collecting tariff preparations from September), on the other hand, they have not resulted in significant shortcomings in the submission of the required documents.

As of 1 September 2021, 4,219 tariff arrangements have been submitted to the Authority for the same number of areas, with a population served of about 39 million inhabitants (i.e. 65.7% nationally, with significant differences between the various geographical areas: the level of coverage is below 50% in the South and Islands and around 80% in the North-West).

The 4,219 tariff areas mentioned above vary greatly in size in terms of resident population.

99% of the tariff areas refer to a single municipality, while multi-municipal areas are more common in the North-East.

An initial analysis of the proposals received shows that the per capita tariff revenues for 2021 at a national level are on average equal to 195 €/inhabitant, an increase of about 2.4% compared to the previous year.

Again with reference to the tariff proposals for 2021, with regard to the assessments carried out by the competent local authorities on compliance with sorted collection objectives and on performance

relating to the reuse and recycling of waste, for the majority of the tariff areas the assessment is satisfactory (about 85% at the national level), with lower values in the Centre and in particular in the South-Islands area (where the evaluation is satisfactory for approximately 80% and 70% of the tariff areas, respectively).

With the aim of strengthening the stability, certainty and clarity of sectoral regulation, this year the Authority initiated and completed the procedure for the approval of the new tariff method, MTR-2 (in force for the period 2022-2025).

The elements characterising the first regulatory period were further developed, incorporating the main innovations linked to the complex development of the sector and completing the applicable regulations by extending them to the tariffs for access to treatment plants.

All stakeholders should be acknowledged for their participation and for the elements provided, given the multiplicity of issues addressed and the time pressure on the process, demonstrating how high expectations are for the evolution of the sector's regulation. This has provided the sector with a broader frame of reference in which to develop strategies and programmes.

With MTR-2, waste regulation in our country is certainly completed from a methodological point of view, but we cannot yet say that it has come out of its “start-up” phase.

While maintaining the general framework of the Method presented at the end of 2019 - first and foremost, the guarantee of the social sustainability of tariffs, thanks to the constraint of revenue growth for operators - there are many new features which, on the one hand, specify the use of certain decision-making levers of strategic importance for the proper incentivisation of Circular Economy infrastructures and, on the other, expand the scope of control over the supply chain and consequently the number of stakeholders.

While the first MTR introduced the recognition of efficient operating and investment costs for the stages of the waste supply chain up to delivery, MTR-2 also regulates the tariffs for access to municipal waste treatment, recovery and disposal facilities.

In other words, it goes as far as the “gate” of plants and landfills, providing for a four-year planning period, rewarding the use of treatment plants that reuse waste and decisively penalising landfilling.

In 2020, the provisions launched by the Authority regarding the transparency of the municipal waste management service were applied for the first time (with mandatory minimum contents to be reported on websites and minimum information to be included in the collection documents and in individual communications to users) and, at the same time, activities were developed to define the regulation of contractual quality and the first elements of technical quality, according to a gradual and asymmetrical approach aimed at strengthening and standardising the levels of user protection, taking into account the specific features and levels of development of the various operators.

In order to induce operators to make progressive improvements with a view to the sustainability of the activities managed, in the MTR-2 the Authority has outlined the methods for recognising any additional charges aimed at pursuing new quality standards and the minimum levels of service that are being defined.

The process of defining the new waste quality regulation is under way and in the coming months the Authority intends to adopt further acts aimed at consolidating a system of uniform rules nationwide.

The transposal of the Circular Economy Package entailed the bestowal of new, important competences to the Authority, with reference to the determination of efficient costs for the management of sorted waste collection, transport, as well as sorting operations or other preliminary operations.

Introducing forms of transparency and assessing the use of certain evidence-based regulatory tools for an effective design of mechanisms aimed at covering the efficient costs of supply chains and activities related to sorted waste collection may provide an opportunity to establish the fundamental principle of Extended Producer Responsibility (EPR) on the basis of appropriate and indispensable sustainability and efficiency criteria.

Explicit signals aimed at allocative efficiency can generate, in dynamic terms, a more effective supply chain configuration.

In consideration of the significant information that this activity requires, close collaboration with operators, collective compliance systems and

other parties, including institutions, involved in various capacities, will be essential for efficient completion and integration of the regulations in force.

Whether it is a question of defining the demand for public collection, transport and treatment services, or, from a different legal point of view but with similar effects in economic and financial terms, of providing the definition of waste, whether or not it belongs within scope of regulated activities and, consequently, is subject to relevant cost recovery according to the methods of collection from the end user, appears to be a highly topical institutional issue.

In particular, see the regulatory changes introduced by Legislative Decree No. 116/2020 concerning the qualification of waste produced by non-domestic users and the option for such users to deliver municipal waste outside the public service.

These issues cannot be resolved on the basis of sudden, impromptu measures that lack both the necessary impact assessments and the possibility of rolling out their effects over a reasonable period of time.

Similar considerations can be made with regard to other possible topical issues which, if their effects are not carefully assessed, could generate forms of uncertainty or malfunctioning that could increase overall costs or make decision-making more cumbersome.

By way of example, reference can be made to the degree of vertical integration of the supply chain, an issue that emerged in all its complexity on the launch of the new regulation of access prices to treatment plants, or to the review of multilevel governance of the sector, which could usefully provide an opportunity to streamline the competences to be exercised at territorial level.

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

In 2020, too, ARERA's enforcement activity played an important role in guaranteeing the implementation of regulations, even though it was affected by some measures related to the COVID epidemiological emergency.

Most of the proceedings concluded with establishing liabilities and the consequent imposition of sanctions, for a total amount of more than 14 million euros, destined to finance projects in favour of consumers.

In fact, ARERA's activity is not limited to sanctions but also includes the payment of compensation required by law and the establishment of commitments.

The total benefit to the consumer was over 19 million euros.

ARERA's sanctioning activities over the last year have also seen further important changes, such as the reduction in the duration of sanctioning proceedings, the streamlining of the issues subject to sanctioning and the extension of sanctioning activity to the district heating sector and, as already mentioned, to "REMIT".

In particular, there was a further increase in the already significant percentage of adherence by the operators concerned to the simplified procedures (from 77% to around 90% of the procedures started with a simplified procedure, i.e. 9 out of 10), which make it possible, as is well known, to conclude the procedure in 30 days.

The Authority's enforcement activity was also characterised using alternative instruments (such as clarifications, recommendations and warnings, as well as automatic penalty systems for operators and compensation to customers) for certain types of violations, such as those of a particularly minor or repetitive nature.

As early as 2012, the Authority launched the procedural rules relating to the EU-derived judicial function, i.e. the function concerning the resolution of disputes between operators and grid managers concerning access to and use of energy infrastructures, as well as the provision of connection services for electricity production plants powered by renewable resources.

As regards the 61 complaints received in 2020, in particular, 47 had been closed by 31 December, 8 were being negotiated and 6 were being decided.

Information and dispute resolution are fundamental pillars for the empowerment of both the end customer (especially in the light of the

abolition of price protections) and the end user in the water sector, who is increasingly attentive to the quality and efficiency of the service.

At the regulatory level, Energy and Environment Consumer Help Desk services are expected to be extended to users of district heating, coming into effect from July this year.

In fact, even in the months of lockdown, the activity of the Help Desk continued as usual, by means of both the now consolidated online and/or remote services (e.g. the Conciliation Service) and the timely reorganisation of the way in which specific activities were managed, including remotely (e.g. call-back in the event of a busy line at the Help Desk call centre).

Furthermore, in the wake of the widespread and sudden digital transformation that has affected the country, partly due to needs arising from the epidemiological emergency, a new mobile version of the Conciliation Service platform was released at the end of 2020, accessible in the first months of 2021 via an app for smartphone or tablet.

Throughout this year new ways of accessing the online portal of the Consumer Help Desk (above all, SPID) have been gradually implemented, in line with current legislation on the subject.

In this innovative framework, the role of consumer organisations in providing qualified assistance was reaffirmed, for the benefit, among others, of those categories of customers or users who have difficulty in using services remotely or have little familiarity with energy or water issues.

This activity continues to be financed through projects using the sanctions imposed by ARERA.

In 2020, more than 440,000 citizens contacted the Energy and Environment Consumer Help Desk call centre for information on their rights and on regulations (including emergency regulation). In 9 cases out of 10 these calls related to the energy sectors. The service was rated positively in 86% of cases.

The Conciliation Service received just over 18,600 requests, 80% of which were related to electricity and gas.

The parties reached a settlement agreement in 71% of completed procedures, taking an average of 65 days (from the submission of the request), thus avoiding a costly recourse to the courts or even the abandonment of their claim.

In more than 70% of cases, procedures were concluded within a maximum of two meetings. The total compensation, i.e. the algebraic sum of the economic benefit (e.g. refunds, recalculations, waiver of fees, interest, etc.) obtained by consumers through the agreements is approximately 13 million euros. The consumer satisfaction rate remained at 98%.

Last, but not least.

During 2021, as provided for by Legislative Decree no. 124/2019, converted with amendments by Law No. 157/2019, the mechanism for the automatic allocation of social bonuses was launched.

There are several reasons to be pleased with the launch of this service, the main one being that it will be able to extend the benefit of this tool to a significantly higher percentage of those eligible.

The historical average figure (in the pre-COVID era) was about 2.6 million eligible households, with an application rate of just 35%.

The automatic granting of electricity and gas bonuses in force since 2021 is producing significant quantitative effects.

For 2.1 million families, the bonus, including arrears for the current year, is affecting or will affect their bills in the coming weeks, thanks to the automatic transfer of data from INPS to the Integrated Information System.

For roughly another million families this will happen in the coming months.

For comparison, in 2020, only 700,000 families had benefited from the bonus, which at that time had to be requested.

A second reason to be pleased was because we promoted and implemented a useful example of "simplification" in support of the citizen.



After the digitisation of direct services between the administration and citizens, this is another example of how the integration of data between administrations can bring benefits to the community.

I therefore feel it is my duty to take this opportunity to thank all those in the Authority, the Acquirente Unico (Single Buyer) and in INPS who have contributed to solve the many challenges that had to be overcome to activate this innovation.

As often happens, the problems are not just technical in nature, but lurk in the need to modify consolidated processes and to foster the necessary coordination between the *modus operandi* of different administrations.

It should not be overlooked that in developing the service particular attention was paid to the application of the rules for the protection of consumer privacy.

In this sense, the Italian Data Protection Authority played an important role here, and we thank it for its contribution.

While on the one hand there is justified pressure on administrations to share the information in their possession in an effort to streamline and simplify for citizens' benefit, we also understand that the use of such information for services other than those originally requested requires explicit authorisation from the legitimate holder of that information in order to proceed.

The possibility of issuing an authorisation request to citizens similar to the one that is already requested in many privacy disclaimers at the time of the communication of information, should be assessed. This would make it possible for administrations to propose additional services or services in line with the information provided.

## **Conclusions**

Authorities, ladies and gentlemen, dear guests, as in drawing the conclusions of this Report, let me express my heartfelt thanks to all those who have accompanied and are accompanying the work of this Authority.

I would like to take this opportunity to extend the thanks of the entire board and all the departments 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 fruitful cooperation, as well as the European Agency for the Cooperation of National Energy Regulators, the National Council of Consumers and Service Users (CNCU), the Energy and Environmental Services Fund (CSEA), the GSE group, ENEA, the Regions and local authorities, ANCI and the local government authorities.

Finally, to our Board of Auditors, the Strategic Evaluation and Control Unit and - with special thanks - the *Guardia di Finanza*, which provides daily support to our activities through the Special Goods and Services Unit.

I believe that this year's report has shown even more clearly that the work of the independent authorities is wide-ranging, multifaceted and characterised by the need for an integrated and standardised approach.

The development of European legislation and its national implementation (Circular Economy Package and Clean Energy Package) significantly expand the range of tasks assigned to this Authority.

In view of the many new tasks entrusted, one cannot fail to note the structural lack of dedicated resources afflicting the Authority even before the new functions were assigned.

I think it is useful to see how national regulators in other European countries, similar in size to ours, have much more extensive dedicated resources. For example, in energy regulation alone, the average number of people working at the German regulator, BNetzA, and the English regulator, Ofgem is 250 people. This is more than the entire current ARERA workforce.

The European Union itself, given the new tasks assigned by the Clean Energy Package to ACER, the European Agency for Cooperation between Energy Regulators (to which the Offices of this Authority lend considerable support), has provided for an ad hoc increase in human resources in the EU budget in 2020.

In line with the expected evolution of the Public Administration sector, I believe it is important to provide for a similar strengthening of the independent authorities, both in quantitative and qualitative terms, with particular attention being paid to the new competences that face regulation.

Digital, innovation and European law are indispensable competences to enable the Authority to cope with the high degree of specialisation in the sectors it has to deal with.

The regulated industries explore innovation spaces at great speed, and it is important that the Authority has the resources and expertise to cope.

As I have already said, working for an independent authority is probably the highest public service one can provide. The qualities of independence and autonomy of judgement that must characterise both the Institution and the individuals working in it put the behaviour of individuals and the fate of the institution on the same level on a daily basis.

Thanks are therefore due to all ARERA staff, made up of women and men who have to combine, on a daily basis, specific technical skills, a global vision of the contexts in which they work and awareness of the value of the institutional framework.

This calls for behaviours and attitudes inspired by a particular code of ethics, consistent with the unique nature of the regulation.

This is a decidedly transition-oriented energy sector whose greatest risks are uncertainty in moving forward and the loss of a strong integrated vision at a European level.

There is a heightened awareness that the ecological transition must be done in the right way.

The environmental sectors of water and waste are evolving towards increasing efficiency, transparency and attention to users' rights, despite the fact that there are still too many regional differences.

We have been saying this since the first report of this board's term; closing these regional gaps is one of the main drivers of our efforts.

These are the conditions facing the sectors regulated by the Authority as the five years kick off.

This is a period with extraordinary ambitions but one that is, at the same time, extraordinarily brief.

We are addressing a desire for change after a long period of crisis and a dramatic pandemic.

If the rhetoric that our country is capable of giving its best during the most difficult times is true, we should not wait any longer to try to prove it.

It is quite clear that the historical period we are living through calls on everyone to pay extra attention to the efficacy of their actions, to a unity of vision and to the acceptance of specific responsibilities.

This is a joint effort that the Authority will not only not shy away from, but one that it will participate in with enthusiasm and drive in the conviction that the role of regulation, enforcement and reporting activity can make a significant contribution.