

PRESS RELEASE

Gas: uncertainty and high prices call for new procedures for updating the cost of the commodity for users on protection regime offers

the update since 1 October changes from quarterly to monthly, surpassing the use of forward list prices, in order to intercept possible actions to reduce prices.

Recommendation to Parliament and the Government and emergency table with consumer associations.

Milan, 29 July 2022 - The additional dramatic increase in wholesale prices of energy, linked to the conflict in Ukraine and the reduction in gas flows applied by Russia, has driven the Authority to introduce **consumer protection measures and steps to guarantee continuity of supply**.

Starting 1 October, with the next tariff update, **the method used to update the costs of the gas commodity for families still on protection regime offers changes** (today approximately 7.3 households out of a total of 20.4 million - around 35.6%).

Also with the aim of immediately intercepting any national and European price limitation initiatives, ARERA has decided to no longer use forward price lists of the wholesale market as a reference, but instead the average of the effective prices of the Italian PSV wholesale market¹, at the same time also increasing the frequency with which the price is updated, going from quarterly to monthly.

The new method, linked to the emergency situation, will be in force until gas enhanced protection service ends, which is today expected to be in January 2023, a deadline that the Authority has already asked on multiple occasions to be aligned with that of the end of electricity enhanced protection service expected for January 2024.

“Overly high prices, a war in progress and clear use of gas as a geopolitical leverage drive us to take extraordinary measures to guarantee consumer protection and the security of supply” - declares the Authority President, Stefano Besseghini - “Use of a more dynamic price formation mechanism will allow us to avoid transferring the costs of hedging the risk onto the consumer, instead immediately transferring the benefits deriving from any decisions such as a limit to gas prices, as may be made on a European level”.

The intervention implemented, although unable to act structurally on the exceptional levels of the market prices, does aim to make supplies to customers more secure. The continued geopolitical tension, in fact, has heightened uncertainty over the availability of gas from Russia, increasing the critical issues for suppliers in procuring the gas they need to satisfy their customers, including households, on the wholesale markets, for the next thermal year that starts on 1st October.

With the mechanism resolved by the Authority, **the risk that suppliers may be unable to guarantee operations and, consequently, supplies to customers, is reduced**, minimising the risk of families finding themselves forced to seek *services of last resort* and that the service suppliers should default,

¹ In detail, it is expected that the CMEM component will be defined as equal to the monthly average of the PSV day ahead price recorded by ICIS-Heren. This choice is in line with the decisions already made with resolution 189/2022/R/gas, considering that the observations received from users have indicated the reference to the PSV Day Ahead price as the most representative index of the Italian market spot price, insofar as characterised by more significant levels of liquidity than other indexes proposed and able to limit the costs of hedging.

damaging the entire economic balance of the Italian gas supply chain, with additional costs that would be socialised.

The new update method facilitates sourcing the volumes necessary to satisfy demand, thanks to the reduction of the risks today linked to differences between forward list prices used for the current update of enhanced protection service and the spot price at which the part of the consumption that is not foreseeable for the winter, can be procured.

Naturally, and as recalled on multiple occasions by the Authority, these interventions **must be flanked by national and international initiatives intended to restore the balance of supply and demand**, such as the reduction of demand on a voluntary basis and the identification of mechanisms to handle interventions in the event of emergency, as also recalled in the **recommendation to Parliament and the Government** sent today.

With the new update method, **the value of the commodity component for gas enhanced protection service will be published on the Authority's website at the start of each month following that of reference.**

Specific obligations to transparency are introduced for suppliers, which, if needing to recalculate the price as compared with that previously invoiced, should not only provide suitable information in the bill (as envisaged by the Bill 2.0 rules) but also create a specific section of the website in which to provide a clear, comprehensible explanation as to the reason behind the recalculation and how the prices are determined.

The Authority has also decided to activate an *emergency working table* that will fully involve consumer associations and **whose first tasks will include that of defining additional procedures for communication and information** to make the entire process as transparent and effective as possible.