



The Italian Regulatory Authority for Electricity and Gas

ANNUAL REPORT ON THE STATE OF SERVICES AND REGULATORY ACTIVITIES

*Presentation by the President
Guido Bortoni*

Rome, 6th July 2011

The Italian Regulatory Authority
for Electricity and Gas

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“Stimulos dedit æmula virtus”
M. Annaeus Lucanus, *De bello civili sive Pharsalia* (I,120)

He was spurred on by rival valour
[competition: a virtuous driver, ed. note]

Authorities, Ladies and Gentlemen,

on behalf of the third Board, which was installed five months ago, and of the entire structure of the institution entrusted with the regulation, control and monitoring of the energy markets, I wish to thank all those who show an interest in our work and in this Authority's future lines of action.

The Italian Regulator today sets forth its considerations on the 15th year of our institution's life. It does so before Parliament, the Government, the other Authorities, an audience of highly qualified operators, and indeed the whole country and the relevant European institutions. This decade and a half equates to one-tenth of the life of a united Italy, whose 150th anniversary we are honoured to celebrate this year.

Our first 15-years (1996-2010) have been intense ones for the Italian energy sector. They have seen the launch of major reforms, liberalisation for example, that have not yet been fully implemented; they have seen speculative tension in the raw materials markets; and they have seen deep depressions affecting the economic fundamentals in the wake of the crisis in the real economy. But they have also seen the definition of ambitious goals in matters of sustainability and the quest for a coherent energy strategy for future decades.

If the work of the energy Regulator has thus far been judged positive, the merit belongs to the two Boards that preceded us: the pioneering one chaired by Pippo Ranci and the more recent one led by Alessandro Ortis. To all those who served during those periods of office, we would like today to address our greetings and our heartfelt thanks, not least for maintaining the independence of this institution.

And if the work of the Italian regulator has proved to be excellent for our country – and indeed is perceived to be so beyond our borders also –, this can be ascribed to the dedication, sense of responsibility and competence of all of the Authority's personnel, to whom goes a well-deserved “Thank You”. I would like to address a special mention to the city of Milan, which has always been home to our offices, and to Rome, where a small number of our people work. And our gratitude goes also to the administrative courts that judge any disputes concerning our regulations or decisions – Lombardy Regional Administrative Court and the Council of State – and to the State Advocates and the Tax Police, with whom we have a long-standing collaboration. Equally, I would like to thank all the other institutions and civil and military organisations with which the Authority works and to which it is linked by a spirit of fair and just cooperation.

The Authority stands at the outset of a new term of office. For that reason, I will focus, in this introduction to the Annual Report, on an analysis of the energy scenario facing us and the approach which we, as a Board, intend to follow to address it, rather than on a report on the decisions taken over the past year.

For that full and detailed report, I refer you to the text of the Annual Report, in which each aspect is examined and analysed in detail.

The role of the Energy Authority

The Authority works to protect the interests of consumers and users and to promote competition and efficiency in the electricity and gas sectors. These two aims, contained in our founding law, are not and must not be opposed, as some observers fear. Indeed, the primary objective in a modern regulatory system is to define a set of rules designed to invest the different actors with responsibility (capacity-building regulation). Their pursuit of their own legitimate goals will thus be brought into line with the interests of the system as a whole, and especially with those of consumers. For this *ex ante* stage of regulation to work effectively, it needs to be flanked by an *ex post* stage in which compliance with the rules can be monitored and ensured through appropriate enforcement actions.

This is where the bar has been set, and it is where the Authority intends to keep it.

With capacity-building regulation it is possible to avoid what the economic literature describes as the temptation to paternalism inherent to hyper-regulation. Such regulation can be excessively ambitious in imagining that it can always and in all circumstances replace the consumer, on the one hand, and the imaginativeness and creativity of operators, on the other.

Where possible, it is the market that must propose the solution most appropriate to the needs of each consumer.

Our *ex post* work, which includes the central role of enforcement, is not intended simply to lead operators to observe the rules through a broad range of actions (from persuasive to coercive). It also, and above all, serves to evaluate the effects of those actions by checking on and monitoring their application, the aim being to increase their effectiveness. In other words: an enforcement of the rules that is intended to simplify the system and which makes it possible to reconcile the need for stability with that of adaptability to the principle changes taking place in the overall context.

That is why a mature role for the Authority is beginning to take form, after the considerable effort made in these first 15 years to introduce a highly complex set of rules in our country. Rules that have accompanied and enabled the opening of the energy markets and the development, albeit still incomplete, of competition.

We will need to carefully maintain the regulatory system for the electricity market. And, as we shall see, we will need to find the most appropriate response to the challenges posed by the international energy scenario, especially in the gas sector. It is in this period, indeed, that our role of reporting to, advising and consulting Parliament and the Government on energy matters is becoming increasingly important. It originates from the twin founding principles of the Authority for Electricity and Gas: independence and technical merit.

Worth mentioning here is our commitment to ensure, in all the Authority's activities, that the instances of the various parties are weighed against the quest for balance and never taken to extremes. We must ensure, too, that the lines inspiring our action guide but do not disrupt the markets. To quote Cavour, "*There is no principle, however just and reasonable, which, if taken to extremes, will not lead us to the most dire consequences*".

It is in this light that we intend to exercise our mandate. In an awareness that the importance of our role is firmly linked to the independence, technical merit and mindfulness of our actions.

***Ex ante* regulation**

Energy systems, in Europe and elsewhere, are going through a period of great change. Structural factors sit alongside cyclical trends in delineating a new context that will replace the traditional energy archetypes with new paradigms. The economic and financial crisis that for some years now has affected the entire planet has led to a contraction in consumption; tensions on the raw materials markets; a re-thinking on which primary sources, such as nuclear, to use; a growing focus on climate change; the trend to develop renewable sources and distributed generation – segments still at the budding stage of "creative chaos" –; great opportunities for technological development in sectors previously viewed as mature; and the political instability of key areas for the supply of energy raw materials. These factors all demand a broad-ranging reflection not just on energy goals but also on the choice of suitable instruments to achieve them.

A reflection that must necessarily include both the extremely significant role that natural gas will continue to play in the Italian energy scenario and our level of energy dependence, of over 80%. These are objective data, at least in the medium term, which we need to address. We need to try, where possible, to transform these needs into opportunities, not least in view of our country's geographical position.

As regards the *ex ante* regulation exercised by the Authority, the new energy paradigm must be multi-faceted. Its multiple dimensions can be summarised as Growth, Coordination, Community and Consumer Awareness.

Growth

Growth embodies a critical element for the Italian economy: that of sustainable development. The energy sector can play a fundamental role in kick-starting

development. No longer just indirectly, through a reduction in energy input costs – to be pursued through increased efficiency and competitiveness and improvements to the interconnection and delivery infrastructure. But indirectly too, thanks to the driver effect that investment in the sector could have on the economy as a whole.

This challenge is even more pressing for a country like ours, poor in traditional energy resources (oil, coal, natural gas).

To this end, the Authority intends to continue with regulatory incentive regulation for investments in infrastructures with regulated remuneration. It will evaluate the possibility of extending an incentive already introduced successfully for the electricity transmission grid to the gas transport network: the incentive to respect implementation times.

The level of incentives will be linked to the benefits expected from the new infrastructure once it begins operating. At the start of each regulatory period it will be possible to review the level of incentives to apply to future investments to reflect changing infrastructure development needs.

But an even greater contribution to the growth of the country could come from the development of an environmentally sustainable energy system. For this to happen, however, the impetus to invest in this sector must be sufficient to foster development that is regular, not chaotic, and not artificially supported (unless at the early stages). Development must, in particular, be balanced in the allocation of resources, in order to drive and support the growth of the entire national production chain of the so-called green economy.

The Authority pointed out, in a recent report to Parliament¹, that the country should be aiming not just at using renewable sources in the electricity sector but also, and above all, in the thermal segment. This is in light of the higher yield in energy terms, which translates into a lower recourse to the incentive system.

But in addition to the undoubted advantages ensured by renewables, policies to develop energy efficiency must also play an increasingly significant and central role. In this field, our country has constructed – and can further build on – a position of excellence: we need only think of the construction and thermal engineering sectors. The experience we have built up in recent years with the *white certificates* mechanism – borrowed also by other European countries – testifies to the significant results we can achieve in this respect. In each of its first 5 years in operation, this mechanism made it possible to save over 7 billion kWh, equal to 2% of electricity consumption, against just 531 million euros in incentives paid over the entire period.

We would do well to recall here that the European objectives set out in the climate-energy package do not give sufficient recognition to the role that energy efficiency can

¹ PAS 12/11 Report of 19 March 2011

play in achieving the goals of reducing environmental impacts and energy dependency on non-EU countries. In Italy's case, to meet the specific objective of covering 17% of our total need from renewables by 2020, the weighting for electricity production from renewables is 6 times that attributed to energy efficiency. This means, in effect, that investment in renewable sources predominates with respect to investment in energy efficiency. Moreover, the cost of average energy-saving incentives has – to date – been several times lower than that of incentives for electricity production from renewable sources using photovoltaic technology.

I believe it is useful to recall at this point that the European Commission has just presented new and ambitious draft legislation on promoting energy efficiency in public buildings, industrial premises and private dwellings.

And if we want to take the growth of the green economy beyond 2020, we need to work as of now to provide adequate support for research and technological innovation. That is the way to develop, for the next decade, the necessary know-how and an Italian renewables and efficiency industry that will most definitely be required to compete in the market with no incentive systems in place.

The development of electricity interconnections with neighbouring countries, amounting to over 30% of existing import capacity, is expected to give an undeniable impetus to the growth of energy infrastructure and business competitiveness. And, therefore, the revitalisation of the country's economy. This is happening mainly through financing from the private sector, high energy-consuming industries and business consortia which in this way can gain access, for some of their consumption, to cheaper supplies in the Central European electricity markets.

A similar pro-growth measure is the development of an additional 4 billion cubic metres of gas storage capacity that will progressively come into play between now and 2015. In addition to equipping the country with essential infrastructure for diversification and competitiveness in the gas market, this increased capacity will also inject greater flexibility to operators' procurement portfolios. And, as with electricity interconnectors, it is being achieved with financial input from companies and consortia.

Coordination

Coordination must necessarily play a central role in the regulatory agenda, and in energy policy in general: the role of coordinating the different stages of the supply chain of each sector, as well as coordinating the sectors themselves, and national systems.

The new context has brought into even sharper relief the need for action by the Regulator to fully restore the efficiencies produced by coordination that were an inherent part of the previous vertically integrated structure. This significantly reduces the risk of important information becoming excessively dispersed.

To date, the attention of regulation has focused, in this respect, on developing instruments to enable plant to be used efficiently and to promote competition in the short term. The existence of liquid spot markets (in 2010 our electricity exchange had a liquidity level of 63%, one of the highest in Europe), with significant price signals, is a vital factor in ensuring that the liberalisation of the sector is successful.

However, in the energy sectors the competition process is mainly played out over medium to long timescales: those of the useful life of plant and infrastructure. This means that regulation must place a particular emphasis on promoting investment and reducing the related risk, not just through the stability of the regulatory framework – fundamentally important as this may be – but also and above all by making sufficient system information and appropriate market instruments available to operators.

In the electricity sector, the lack of adequate planning coordination in the construction of network infrastructure and power stations is particularly serious. This is because of the high degree of dispersion of the information needed to evaluate whether investments should be made in new generating capacity.

The Authority is about to alter the market model by setting up a system for the remuneration of electricity generating capacity in the medium to long term (i.e., a capacity payment system). This is in part intended to overcome the above mentioned problems and ensure that the system is fit for purpose at the lowest possible cost, in line with the national energy strategy.

The system being drawn up by the Authority is primarily a market system, designed along similar lines to the ones already operating successfully in the United States. It will make it possible at one and the same time to protect consumers, without however altering price signals; increase market contendibility; and reduce the risks to producers and thus prevent boom and bust cycles of over- and under-investment. The forward-looking nature of the mechanism means that it needs to be introduced in good time in order to anticipate, and thus avoid, the “bust” cycle of under-investment.

Greater coordination is also needed between the development and operation of the grids and of plant fuelled by renewables. To better manage the development of renewables and distributed generation – which as we know can be disorderly –, we need to adapt the regulatory framework governing the grids. This is necessary for a number of reasons:

- to overcome the problem of “virtual saturation” of transmission capacity resulting from the possibility of booking this capacity free of charge, regardless of whether the generating facilities are actually installed
- to provide the instruments – such as accumulation systems – that make it possible to exploit renewables to the full and manage energy flows securely
- to develop demand response systems
- to facilitate the development of electricity mobility.

Another sphere where, in the absence of specific initiatives, coordination has proved to be problematic is between retail sales activities and the other stages in the supply chain,

most notably distribution. At the same time, however, coordination here is extremely important to the effective development of the free market. The complete opening of the markets to all consumers has highlighted the need for a system capable of managing a vast amount of data and information in a transparent and non-discriminatory manner, in order to act as a lever for the efficient operation of the retail market. The Integrated Information System (IIS) is scheduled to be introduced for the electricity sector next year (2012). This will be a first important step in this direction, especially as regards customers switching from one supplier to another.

Four years on from the opening of the electricity market for small consumers too, the switching rate is around 17% for domestic users and 36% for small enterprises. This means that about 5 million households and 2.7 million small businesses have chosen their supplier in the free market: one of the best results in Europe, and one that can be strongly improved through the IIS.

The same system could be extended in future to include other functions and improve the management of other activities, including measuring the amounts of electricity injected to and withdrawn from the grids. It could also be used in the natural gas sector. Our regulatory activity could also benefit from the IIS, for example by enabling effective monitoring of retail markets, for which the Authority is introducing a number of *ad hoc* indices.

Turning to the gas sector, the meter-replacement programme will see the remote reading and operation of meters being progressively extended. We expect this to help ensure that metering information is promptly available and procedures of activation and deactivation of supply are managed more efficiently, leading to a greater coordination amongst operators. The programme will also need to take technological innovation into account to ensure that the benefits are greater than the costs.

Community

Community refers to the horizon within which the Regulator operates, a horizon that is necessarily Community in scope, to use a classic but infrequently used term. In the case of natural gas, in particular, the need to bring regulation fully into line with the supra-national dimension is even more clear. Indeed, natural gas production is mainly concentrated in third (non-EU) countries characterised by “sovereign” (state-controlled) monopolies, far from the places of consumption. In this context, investment decisions, too, clearly end up having a supra-national dimension and it is in this light that they need to be evaluated and regulated, in keeping with the recent European thinking on infrastructure.

Investment in storage capacity, new regasification facilities or gas pipelines linking up with producer countries are vital factors if Italy is to acquire the role of European gas hub. This infrastructure must therefore be conceived, operated and regulated not just from the perspective of ensuring security of supply at the national level, but also from that of the opportunities to optimise gas flows at the European level. This second, broader goal

must also be promoted through full access to the infrastructure linking the different markets. Without infrastructure, Italy will be condemned to become a gas “province” rather than a country-hub playing a crucial role in the new supra-national context.

Network infrastructure regulation will need to ensure that there is close coordination with investment in new infrastructure constructed under market conditions, whether new regasification facilities or new pipelines.

Increased numbers of entry points to the system, enhanced inter-operability with the European networks and the possibility for flow-reversal will increase the competitiveness, efficiency and security of the system. At the same time, however, they might require the national transmission network to be up-graded to solve possible congestion problems, which to date are only marginal. It is clear, therefore, that the regulation of the gas transport network will play even more of a key role in the future than it has in the past.

For this reason, in light of the Independent Transmission Operator (ITO) structure envisaged by the Italian legislator for the gas transmission network, the complex tasks entrusted to the Authority by Directive 2009/73/EC and the related Legislative Decree 93 of 1 June 2011, will be decisive. The ITO structure, by the way, retains the possibility for operators to opt freely for a system – preferable, in our view – of ownership unbundling.

The parliamentary committees have entrusted the Ministry for Economic Development and the Authority with the crucial task of approving and monitoring the implementation of the ten-year network development plan which the Gas Transmission Operator is required to draw up. In this, the Ministry and the Authority will each deal with the issues within their remit.

The Authority is also required to verify *ex ante* that decisions on the organisational/management structure and articles of association ensure that the Operator enjoys true independence. It is required, too, to oversee its operations and evaluate the independence and professionalism of personnel holding positions of responsibility.

Issues of equal importance arise with reference to the integration of the electricity markets at the European level.

Full integration requires, however, increasingly close physical interconnection between European countries. This will not only increase the security of the different systems and efficiency in the use of resources, but will lead to an (almost) full rebalancing of electricity prices. This in turn will enable Italian businesses to reduce the still excessive cost differential with their European competitors.

We must underscore, however, that to prevent integration from having negative repercussions on the individual systems, it must encompass not just the spot markets but also, and above all, the balancing markets. It must also be based on common rules that do

not merely promote competition and the efficient use of resources, but also ensure that costs are allocated correctly.

In the European framework, the entry into operation of the European Agency for the Cooperation of Energy Regulators (ACER) on 3 March 2011 is particularly important. Italy was very keen to see this Agency established, because it will enable regulation to extend its scope beyond narrow national borders. Indeed, ACER sees a significant involvement of the Italian Authority at all levels. It is not yet a decision-making centre to which are delegated, for example, certain of the national Authorities' tasks, as the ECB has been for years with respect to member states' central banks. But it has all the potential to play a similar role, especially if in its first years of operation it acquires the credibility and reputation to channel the process irreversibly towards promoting ACER to the status of European Energy Authority.

Also worth remembering are the Authority's close collaborative relations with the countries of the Mediterranean, through the Association of Mediterranean Regulators for Electricity and Gas (MEDREG). It also enjoys close relations with the Balkan countries, thanks to the presence in the Energy Community Regulatory Board (ECRB) and, at the international level, through the International Confederation of Energy Regulators (ICER).

Consumer awareness

Consumer awareness refers to consumers' knowledge of their role in the market, and the opportunities and constraints they must be informed of in choosing their suppliers and type of supply.

The actions of the Authority have always been inspired by promoting competition and protecting consumers, and this will continue to be the case during this new mandate. Promoting competition is indeed the first and most powerful form of consumer protection. Without competition, the consumer's right to choose is emptied of meaning; service quality suffers, in spite of the Regulator's best efforts; and consumers' energy costs soar, even when the best forms of protection are in place.

But for the full effects of competition to be felt, consumers' ability to evaluate the various offerings must be enhanced. That way, their decisions will be made not just easier and less expensive (by reducing both their research costs and those incurred in switching supplier), but also and increasingly well-informed. And they will be able to constantly monitor whether their choice meets their expectations, in order to evaluate whether to switch again.

Regulation must therefore be increasingly targeted on giving consumers the real – rather than merely formal – ability to take decisions.

It must equip them with the instruments they need to find their own way around the free market, rather than make choices on their behalf. The Authority continues to regulate quality levels and service charges applied in monopoly conditions directly. As regards the

services offered on the free market, however, it should limit its action to setting reasonable minimum levels of services and the benchmark service quality standards that must be offered by all operators.

Consumer awareness also derives from more complete information, a goal that can in part be achieved through billing documents, which we undertake to make clearer and simpler for consumers to understand.

All this does not change the fact that, with due respect for the European regulations, we need to continue to envisage specific forms of protection for smaller customers, until an adequate degree of competition has developed in sales to this segment. More specifically, we must continue to ensure that all small consumers – domestic users first and foremost – have access to supplies under economic conditions that reflect price levels on the wholesale market and which would characterise those offerings in a competitive market.

Giving consumers access, as is currently envisaged in the electricity sector, to the protected scheme even after choosing a supplier in the free market increases their propensity to leave the protective umbrella. This is because it does not expose them to the risk of committing an error of evaluation with irreversible consequences.

The degree to which the economic conditions applied in the protected scheme accurately reflect competitive conditions differs considerably between the electricity sector and the natural gas sector.

This undoubtedly depends on the different conditions of supply and liquidity characterising the wholesale markets in the two sectors. In future, we will be able to identify new methods of consumers protection in the gas sector, as early as the thermal year starting on 1 October 2012.

This will be possible as a result of stronger competition in the natural gas wholesale market and the introduction, before the end of 2011, of merit order balancing (which should also make it possible to boost liquidity in the newly established gas exchange).

Consumer protection is no less important with reference to the regulation of network activities. Here, the Regulator's action must be addressed not just at reducing charges (through actions promoting continuous efficiency improvements) but also at improving the security and technical quality of the service. This will confirm the commitment that, during the Authority's 15 years in operation, has seen important improvements in the technical quality of the service, for both the electricity and the gas sectors.

For example, since 2000 the average duration of interruptions in electricity supply has been reduced by 60%. And network inspections and checks on the degree of gas odourisation have increased.

These are positive results, achieved thanks in part to incentive and compensation mechanisms. Mechanisms that have also made it possible, since they were first

introduced, to noticeably reduce the gap between service quality levels in different parts of the country. Problems remain, however, and are pressing us to do even more.

Awareness must also be the prerogative of the Regulator, especially as regards the need for simplification, which we will be taking into account in planning the imminent 4th regulatory period in the electricity sector. But we also need to be mindful of the importance of solidarity. Disadvantaged households, or households with large families, have been awarded about 3.5 million electricity and gas “bonuses”, reducing their bills by around 500 million euros in total.

ENFORCEMENT

Monitoring and enforcement are a vital element of the Authority’s activity. These must work not only to ensure that operators comply with the rules, but also to enhance our regulatory activity with an indispensable instrument for verifying its scope and effectiveness.

Many instruments already exist to support these activities. From moral suasion, to challenges to operators’ reputations (“league tables”, obligatory requirements, minimum standards); from coercive measures (integration and strengthening of certain systems of rules), to orders or notice to comply, to orders to cease harmful conduct; from checks and inspections of documents and in the field, to penalties, with all their potential for deterrence and for enforcing discipline.

Recently, with the above-mentioned Legislative Decree 93/2011, the instruments at the Authority’s disposal saw the addition of undertakings by operators to reinstate previous conditions. These have already been tested successfully by the Antitrust Authority, including in the energy sector, to restore situations where competition had been compromised. And they are now becoming instruments for use in regulation more generally.

Legislative Decree 93/2011 also contains a further strengthening of the Authority’s enforcement remit. This takes the form of the power to decide on complaints lodged by operators on infrastructure matters and the power to ensure that reconciliation procedures between consumers and sellers/distributors are set in motion.

This is all the more relevant in the new framework of the so-called 3rd European Energy Package. The Package introduces a general enforcement clause giving the Regulator the task of ensuring that all operators comply with European Directives. This requires us to step up our supervisory and monitoring activities in order to adopt, as the Directive says, appropriate regulatory and prescriptive provisions, and not just penalties.

The arsenal of enforcement weapons at our disposal must therefore be explored and used effectively. We must resist the temptation to focus all our attention on penalties alone, since these remain the final stage in a multi-step process. The risk here is that we could see a proliferation of proceedings which, irrespective of their different features and

significance, must hinge upon administrative proceedings that are equal for all. A risk, by the way, that has also been noted by CONSOB, the regulatory authority for the Italian securities market, with respect to its own sector.

Enforcement must therefore be viewed in a positive light, as part of a “soft” approach designed to persuade where possible. More coercive measures, and penalties, must be kept in reserve and applied only where necessary.

The visible enforcement of the rules fosters consumers’ confidence and trust in market mechanisms and in those overseeing that market. At the same time, it keeps market operators healthy by making it very difficult for those who fail to adapt to the system of rules to go on operating as entities extraneous to an environment based on healthy, fair competition.

The feedback from this experience of enforcement also enables the Authority to adapt its regulatory activity by introducing, for example, measures to classify operators *ex ante*, including in light of whether they have the necessary prerequisites for compliance with the rules.

And so, please excuse me if I use this occasion to begin to apply in concrete terms the enforcement approach I have just described.

In the free markets a malaise more harmful than others for the development and credibility of competition has been present for some time now: the activation of sales contracts that consumers have not requested. This is a particularly odious practice because, more than any other, it contains an explicit element of bad faith and deceitfulness which makes consumers wary of the free market and the companies operating in it.

I therefore appeal to the representatives of operators in the sector. Persisting in conduct, even marginal, that tolerates or fails to sufficiently monitor the activation of unrequested contracts cannot fail to undermine the operator’s reputation and damage its most valuable asset: the trust and confidence of consumers.

The Authority is willing to bring on board all operators engaged in selling to the mass market, and the consumers’ associations that have submitted so many reports of this objectionable practice, so that together we can rid the market of this malaise. Otherwise, we will be forced to tackle it ourselves, using the other means at our disposal.

Lastly, we must underscore that the Authority intends to review the wide range of instruments designed to increase consumer awareness. These consist both of consumer information instruments and of complaint management aids such as the “Energy Consumers’ Help-Desk” set up with the Single Buyer. Not to forget the instruments enabling training on joint conciliation for personnel from consumers’ associations and help for consumers across the board on energy issues, including through their local help-desks.

What is needed is an intelligent complaints management system. For example, we could unify our analysis of all complaints addressing the same general question; we could start off from concrete cases of malfunctioning to lay down clear general principles as guidance for operators, or to provide general pointers for consumers. We will then need to complete the rules on conciliation by using the “alternative dispute resolution” mechanisms to best possible effect.

The organisation

If the strategic lines I have just illustrated are to be implemented a reorganisation of the structure will be necessary. The first stage of this began just a few weeks after the new board was installed. Each Department has now identified the offices collaborating directly with the Board, the aim being greater specialisation of the remits assigned to each.

The next step will concern the operational structures of the Authority’s offices. It will be guided by rationalisation requirements, in order to ensure that we are fully consistent in designing the regulatory framework, on the one hand, and in our verification and monitoring activity on the other.

The new organisational structure will be defined by activating in good time the procedures for involving the trade unions, with whom we have established new and fruitful relations, and those for informing our staff as a whole. The aim is to bring it into operation with effect from January 2012, thus ensuring full coherence with the Authority’s Strategic Lines, currently being drawn up, as well as maximum continuity in our regulatory activities.

We are ready, too, to contribute to the launch of the National Regulatory and Supervisory Agency for Water. We will do so through cooperation agreements and by placing our regulatory know-how on infrastructure matters at the disposal of the colleagues who will be dealing with the country’s water services.

Authorities, Ladies and Gentlemen,

Even more than in the past, the energy sector will, in our future, act as a driver of development. Not only as an input to production but as a possible catalyst for innovation and the creation of an entire industrial supply chain dedicated to it.

In the new context of redefining the direction of energy policy and of increased uncertainty in the markets, regulation must bring instruments into play to improve coordination: coordination between the different stages of the supply chain for each sector, coordination between sectors and coordination between national systems.

Above all, regulation in today's world is required to move up a gear to a new dimension, a dimension that is essentially long-term and European in scope. A dimension, in other words, that is fully in line with that of investment in infrastructure and production plant; investment from which the greatest benefits might derive, in terms both of efficiency and of competitiveness.

Greater efficiency and competitiveness which must ultimately translate into better service quality and lower prices for consumers, the protection of whom remains the core of the Regulator's mission. But for consumers to benefit fully from competition, we need to increase their awareness by equipping them with the instruments to navigate the market in an informed manner. At the same time, we must protect them through careful enforcement activities with respect to any abusive or damaging conduct by operators.

That is our strategy, the strategy of the Authority.

We will work hard to implement that strategy and we can already set a date with you for next year, to review the "balance sheet" of our first year in office.

Thank you, on behalf of my colleagues too, for your attention.