

TECHNICAL SHEET

REGULATION CRITERIA FOR NATURAL GAS TRANSMISSION SERVICE TARIFFS FOR THE TRANSITIONAL PERIOD IN 2018 AND 2019 575/2017/R/GAS (*)

With resolution 575/2017/R/GAS, the Italian Regulatory Authority for Electricity, Gas and Water approves the criteria concerning the natural gas transmission service tariffs for the transitional period 2018 and 2019, by adopting the provisions of the “Regulations on the natural gas transmission and dispatching service tariffs for the 2014-2017 regulatory period and for the transitional period 2018-2019” (RTTG), attached to the measure.

In particular, considering what emerged during the consultation (consultation document 413/2017/R/GAS), in a view of ensuring regulatory continuity, the resolution intervenes on certain specific themes, envisaging:

- ✓ with reference to the determination of the **recognised cost**:
 - in order to reduce the regulatory lag, to also include in the tariff recognition the provisional values of the investments made in the previous year with respect to the year of application of the tariff, similar to what was adopted in the electricity transmission system;
 - to not foresee updates to the rate of return of the invested capital beyond those that are already envisaged for the infrastructure services of electricity and gas sectors by articles 5 and 6 of the TIWACC, in particular confirming the rate of 5.4% for 2018, and confirming the value of the β^{asset} currently in force for 2019 as well;
- ✓ with reference to the **incentive mechanism**:
 - to safeguard the incentivising effects on investments which entered into service up to December 2017;
 - to apply, for investments entering into service in the 2018-2019 period, a residual transitional input-based incentive equal to an increase of the rate of return on invested capital of 1% recognised for 12 years, making this incentive conditional upon:
 - inclusion of the intervention in a Development plan of the transmission company;
 - evidence of significant net benefits that can be turned into cash for the gas system;
 - not negative evaluation from the Authority.
- ✓ in relation to the **updating of the variable unit fee CV**:
 - confirm the hypothesis of determining the value of the X-factor in order to re-absorb, in the 2018-2019 period, the residual quotas of efficiencies achieved in the previous regulatory periods, envisaging that this value is constant in the two-year period;
 - use the same reference volumes as the fourth regulatory period;

- ✓ with reference to the costs sustained for **self-consumption, losses and GNC**:
 - confirm the regulations adopted with RTTG 2014-2017, taking into account, for the larger transmission company, the presence of neutrality mechanisms within the balancing regulations;
- ✓ in relation to **tariff fees**:
 - adopt, for the 2018-2019 period, a 40/60 entry-exit division of the national network revenues in consideration of the physical level of use in recent years;
 - set a single configuration of the prevalent gas flows in the network at the consumption point;
 - apply a self-consumption gas coverage coefficient, not differentiated by input point.

Finally, the measure envisages that, for the tariff year 2018, larger transmission companies should send the their tariff proposals to the Authority by 15th November 2017, and for the tariff year 2019 the same deadline is brought forwards to 15th May 2018.

(*This sheet is for disclosure purposes only; it is not a measure.