

TECHNICAL SHEET

CRITERIA FOR THE REGULATION OF TARIFFS FOR THE REGASIFICATION SERVICE OF LIQUEFIED NATURAL GAS, FOR THE TRANSITIONAL PERIOD IN THE YEARS 2018 AND 2019

653/2017/R/gas (*)

With Resolution no. 653/2017/R/gas, the Italian Regulatory Authority for Electricity Gas and Water approves the criteria for the regulation of tariffs for the regasification service of Liquefied Natural Gas, for the transitional period in the years 2018 and 2019.

In particular, the measure establishes:

- 1) regarding the *recognised cost*,
to also include *investment preliminary values* in the tariff recognition (in the same way as with the natural gas transport service and for the electric transmission service) and:
 - with reference to the *return on invested capital*:
 - for the *year 2018*, guarantee a remuneration rate of 6.6%;
 - for the *year 2019*, *not to update* the regulation already set out in the Resolution no. 583/2015/R/com (TIWACC 2016-2021), with reference to the update of those parameters that are common to all regulated services the updating of the gearing;
 - with reference to the *incentive mechanism*, with a view to guaranteeing adequate regulatory stability:
 - apply the *input-based* residual mechanism for investments which become operational in the years 2018 and 2019, reducing extra-remuneration to 1.5% (from 2%) and reducing the recognition period to 12 years (from 16);
 - delay the introduction of mechanisms for raising the efficiency of investment costs by a five-year regulatory period;
 - with reference to *efficiency recovery objectives*, confirming the hypothesis proposed in consultation, define the *X-factor* in the 2018-2019 two-year period for reabsorption of residual portions of the efficiencies from over the course of the second and third regulatory periods, but set out to apply a constant *X-factor* to the tariffs specified for 2018 and 2019 for administrative simplification requirements.
- 2) Regarding the *setting of tariff charges*,
To confirm the criteria currently in force for their determination, and to ensure that their application is consistent with the regulations contained in the new integrated text for the adoption of guarantees for free access to the regasification service (Resolution no. 660/2017/R/gas, *TIRG*), with which market mechanisms based on auction procedures were introduced to provide or make a regasification service available to users.
In particular, for cases covered by the *TIRG* (capacity available or made available), the *Crs* charge only will apply, intended to cover future recovery costs; for cases not covered by the *TIRG*, the unit charge for contract demand will also apply, intended to cover costs associated with LNG's contract quantities (*Cqs* charges).
- 3) Regarding the *hedging revenues factor*,
to confirm the current implementation methods and integrating them in order to also consider the actual income from capacity allocation through auction procedures.

In addition, the measure does not prejudice the effects of Resolution no. 548/2017/R/gas for the OLT Offshore LNG Toscana S.p.a. company, which closes the proceedings for compliance with the judgments of

the Council of State no. 3356/2016 and 3552/2016 concerning the determination of that company's regasification tariffs.

Finally, Resolution no. 653/2017/R/gas will:

- for the *tariff year 2018*, set the deadline of *31 October 2017* for fulfilment to obligations set out in Article 21 of the RTRG 2014-2017;
- for the *tariff year 2019*, confirm *30 April 2018* as the deadline before which regasification companies must present their proposed tariffs to the Authority.

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