

TECHNICAL SHEET

STANDARD AGREEMENT FOR THE REGULATION OF RELATIONSHIP BETWEEN ENTRUSTING BODIES AND OPERATORS OF THE INTEGRATED WATER SERVICE 656/2015/R/IDR (*)

With resolution 656/2015/R/IDR, the National Authority for Electricity Gas and Water implements a standard agreement for the regulation of relations between entrusting bodies (usually the Local Authorities) and operators managing the integrated water service, defining its minimal essential contents.

The measure, having previously evaluated the feedback to the consultation document 542/2015/R/IDR, whereby the National Authority had depicted the final guidelines on the matter, clarifying obligations and rights of the parties, is an element that completes and links together the new system of rules introduced in the water sector.

The resolution confirms the standard agreement structure submitted for consultation, and regulates the following topics:

General provisions:

- *subject*, aimed at specifying the purposes of the conventional relationship;
- *legal framework*, states the entrusting procedure chosen among those available in the current legislation;
- *scope of activities* awarded as exclusive rights, providing for the option to include - under specific conditions - certain activities not strictly included in the water service definition;
- *duration* of the agreement (no longer than 30 years), providing the option to extend the original duration of the entrustment according to the legislation.

Area Plan:

- *contents of the Area Plan*, making explicit the individual documents that comprise it: reconnaissance of the infrastructures, Intervention Plan, management and organization model and Economic and Financial Plan;
- *updating the Area Plan*, providing rules designed to simplify the administrative requirements necessary to update the data and information at the base of the mentioned planning acts and create set schedules, starting with the revision of the revenue cap and the setting of charges, based upon what is required by the National Authority for tariff approval as proposed by the competent local bodies.

Economic and financial balance tools:

- *reaching and maintaining economic and financial balance*;
- *request for economic and financial rebalancing*, establishing its prerequisites and minimal content;

- *actions for maintaining economic and financial balance*, stating the priority of the provided tools: i) revision of tariff arrangements; ii) revision of the Intervention Program, while still providing at least minimal service levels, as well as satisfying total user demand; iii) modification of concession perimeter or extension of its duration; iv) requests to access to equalization measures regulated by the National Authority; v) any other measure established by the parties;
- *method for determining and approving rebalancing measures*.

Deadline and takeover:

- *procedure for taking over* the concession of water service for an Optimal Area, or operators in safeguard regime;
- *reimbursement* of outgoing operator, determined by the Local Authority based on the criteria established by the National Authority as part of the tariff regulation.

Additional obligations for the parties:

- *obligations for Local Authorities*, limiting their discretionary areas, particularly regarding procedures and timelines to be followed in case of expiring concessions, also for the purposes of the tariff calculation and set up to be submitted to the National Authority for verification;
- *obligations for operators*, providing specific and explicit information so to clarify the responsibility of the mandated party;
- *obligations regarding the relationship between the Local Authority, the operator of the integrated water service and possibly a wholesale operator*, also establishing financial reports fulfilments, the criteria for wholesale prices definition as well as the applicable rules where a wholesaler delivers other services to various operators belonging to a plurality of Optimal Territorial Areas (ATO).

Penalties and sanctions:

- *specific penalties*, providing that they have to be defined by each local government Agency and applied in case the operator fails to meet the standards defined by the same Agency in addition to those already established by the National Authority with resolution 656/2015/R/IDR;
- *sanctions*, providing that the Local Authority reports to the National Authority regulation violations for subsequent action.

Final provisions:

- *provision of securities*, in accordance with legal framework;
- *signing insurance policies* necessary for providing services;
- *agreement update* procedures, consistent with the terms for communicating the tariff calculation as established by the National Authority.

Resolution 656/2015/R/IDR provides that the management agreements already in place be made to conform with the standard agreement and communicated to the National Authority for approval at the first useful tariff update calculation, according to the procedures established by the

Water Tariff Method for the second regulatory period (MTI-2), and in any case no later than 180 days from publication of the aforementioned resolution.

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