

TECHNICAL SHEET

APPROVAL OF THE INTEGRATED TEXT ON CHARGES FOR INTEGRATED WATER SERVICES (TICSI) BEARING TARIFF STRUCTURE CRITERIA APPLIED TO USERS

665/2017/R/IDR (*)

With Resolution no. 665/2017/R/IDR, the Italian Regulatory Authority for Electricity Gas and Water approves the criteria for the definition of the tariff structure applied to users of the integrated water network, which the local government bodies or other relevant parties involved, are required to follow for the rearrangement of the structure of charges for end users.

The measure, which follows a long consultation process (Consultation Documents no. 251/2017/R/IDR, 422/2017/R/IDR and 604/2017/R/IDR), completes the process at national level for the homogenisation, simplification and rationalisation of the **structure of charges**, also identifying the annual minimum consumption band for residential domestic users and incentivising efficient behaviours in terms of resource and environmental conservation, while respecting the criteria of:

- ✓ progressiveness, starting (for residential domestic users) with water consumption over the essential amount;
- ✓ differentiation of the use of water resources, in line with the “polluter pays” principle;
- ✓ differentiation of charges to incentivise users to use water resources efficiently.

The measure covers the tariff structure for domestic and non-domestic uses, and for the collection and treatment tariffs for industrial waste water that is permitted to be drained into the public sewer system.

For the purpose of defining the tariff structure, the Integrated text on charges for integrated water services (TICSI), annexed to the Resolution, identifies the following usage subtypes with reference to domestic use:

- ✓ residential domestic use, applying facilitation scheme rules;
- ✓ condominium use, but with a progressive distinction of the underlying users;
- ✓ non-residential domestic use.

With particular reference to **household users**, Resolution no. 665/2017/R/IDR states that from **1 January 2018**, for the purpose of setting the tariffs for the integrated water sector (for the first time subject to a single set of national rules), *per capita* criteria will be introduced, depending on the number of residents in the household.

If the necessary information (which must be obtained by 1 January 2022) are not immediately available, the measure sets out *standard per capita* criteria, identifying the annual minimum consumption band at a range between 0.00 m³/year and a volume of water consumption equal to or greater than the essential quantity that a three-person household is entitled to (the operator may nonetheless request that all households declare the number of residents).

With reference to the tariff structure, the TICSJ sets out (see Tab. 1):

- ✓ a variable rate, which is:
 - relating to the water supply network, divided into consumption bands (clarifying a recommended consumption level for residential domestic users, with a base tariff band and between one and three extra bands to apply increasing tariffs where the tariff for the highest consumption bracket is at most six times that of the cheapest);
 - for sewage and purification services, proportional to consumption (but not split into bands);
- ✓ a fixed rate, not related to consumption, not split into consumption bands and subdivided for each service (water supply network, sewage system and purification).

The per capita minimum consumption level will be within the range of 0.00 m³/year to a value of at least 18.25 m³/year, and the value of the facilitation scheme is to be defined by the local government bodies or other relevant parties by applying a 20% to 50% reduction to the base tariff previously in force, updated according to the tariff multiplier.

A tariff structure has been defined for all non-domestic customers, similar to that for domestic customers but excluding the minimum scheme for the first cubic metres consumption band of a recommended consumption level for the first mc consumed (only for residential domestic customers).

For the purpose of applying the new charges, Resolution no. 665/2017/R/IDR sets out a procedure that the local government bodies or other relevant parties will have to follow, including:

- ✓ the definition of consumption band boundaries in accordance with the *per capita* scheme defined by the Authority;
- ✓ the definition of the base tariff for the water supply network and the variable charges for the relative sewage and purification services (unit charges to be calculated on the basis of their values in previous years, updated by applying the tariff multiplier);

- ✓ the definition of the minimum scheme;
- ✓ identifying the increments of the variable part of the water supply network charge;
- ✓ the size of the fixed rate for each service, without exceeding the limit set by the Authority for its effect on the total revenue of the service itself.

Resolution no. 665/2017/R/IDR also considers the **definition of the collection and treatment charge for industrial waste water authorised for discharge into public sewage system**. For this purpose, a trinomial reference formula has been set out, uniform in each Optimal Territorial Area (ATO) and consisting of (see Tab. 2):

- ✓ a fixed rate (to cover certain specific charges for the end user);
- ✓ a variable rate (decided on the basis of four identified main pollutants);
- ✓ a capacity rate (determined on the basis of the concentration values and volumes present in the discharge authorization documents).

With reference to the flexibility and graduation mechanisms, the TICSİ confirms the revenue constraint condition with a flexibility margin of 10%, at the Optimal territorial Area (ATO) level, as well as the maximum allowed annual increase limit for each industrial user, referring to subsequent measures for the definition of cost allocation criteria between industrial users and other users connected to public sewage system is to be applied from 1 January 2020.

Lastly, a penalty will be introduced for industrial users who go over the authorised limits, circumstance to be verified by the operator by using an algorithm that calculates the deviation between measured values and authorised values and the type of the non-conforming parameter.

With reference to the new TICSİ, the Resolution stipulates **gradual application as of 1 January 2018**, structured as below:

- ✓ within 30 June 2018, the local government bodies or other relevant parties shall notify the Authority of the new tariff structure, using a procedure shared with the operator;
- ✓ up until the adoption of the new structure of charges by the local government bodies or other relevant parties, the operator issues invoices relating to the relevant period of the year 2018 on the basis of the tariff structure in force as of 2017, updated taking the tariff multiplier into account;
- ✓ after the adoption of the new structure of charges by the local government bodies or other relevant parties, the operator issues invoices relating to the relevant period of the year 2018 on the basis of the tariff structure approved by the aforementioned competent authority concerned, and in any case ensuring that at least in the last billing

cycle of the year 2018, invoices are issued on the basis of the new tariff structure approved by the local government body or other relevant party.

In respect of such timing, the measure states that the difference between the charges invoiced on the basis of the tariff structure in force as of 2017 (updated taking the tariff multiplier into account) and the charges which, for the same periods, result from the application of the new tariff structure approved by the local government body or other relevant party, is subject to compensation with reference to the billing documents issued by the operator on the basis of the structure of charges adopted for 2018 and that the user may still request to pay the bill including the compensation by instalments.

Finally, Resolution no. 665/2017/R/IDR introduces certain provisions for contractual quality and usage measurement to integrate the rules already set out in Resolutions no. 655/2015/R/IDR (RQSII) and 218/2016/R/IDR (TIMSII), with particular reference to issues related to auxiliary users (domestic and non-domestic users).

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

TAB. 1 –tariff structure for domestic users

Variable rate for water supply network			
	€/m ³	Consumption class (m ³)	
		from	to
minimum tariff*	T_{agev}^a	0	q_a
Base tariff	T_{base}^a	$q_a + 1$	q_b
I excess	T_{ecc1}^a	$q_b + 1$	q_{e1}
II excess	T_{ecc2}^a	$q_{e1} + 1$	q_{e2}
III excess	T_{ecc3}^a	$q_{e2} + 1$	$> (q_{e2} + 1)$
Variable rate for sewage (€/m ³)			
Sewage tariff	Tf^a		
Variable rate for purification (€/m ³)			
Treatment tariff	Td^a		
Fixed charge (€/year)			
fixed rate for water supply network	QF_{ACQ}^a		
fixed rate for sewage	QF_{FOG}^a		
fixed rate for purification	QF_{DEP}^a		

TAB. 2 –General structure of the collection and treatment tariff for industrial waste water discharged into public sewage

Tariff structure for waste water p -th	
Fixed rate	QF_p^{ATO}
Capacity rate	QC_p^{ATO}
Variable rate	QV_p^{ATO}