

## TECHNICAL PROFILE

### REGULATION OF TECHNICAL QUALITY FOR THE INTEGRATED WATER SERVICE OR FOR EACH SERVICE WITHIN IT (RQTI)

917/2017 / R / IDR (\*)

With Resolution 917/2017/R/IDR the Regulatory Authority for Electricity, Gas and Water defines the technical quality of the integrated water service with an asymmetric and innovative approach. This considers the specific conditions of different contexts to identify correct and effective incentives to promote benefits for users of the different services.

The regulation model develops, especially, the selectivity, correlation, effectiveness, reward, progression and stability.

This model, defined after extensive consultation (dco 562/2017 / R / IDR and 748/2017 / R / IDR), is based on the following indicators:

- prerequisites: the conditions necessary for admission to the incentive mechanism associated with the general standards;
- specific standards: performance parameters to be guaranteed in services provided to individual users where non-compliance requires automatic indemnities; they identify the:
  - "Maximum duration of a single scheduled suspension" (S1) as 24 hours;
  - "Maximum time for activating the emergency replacement service if the drinking water service is suspended" (S2) as 48 hours;
  - "Minimum notice for planned interventions that entail suspension of supply" (S3) as 48 hours;
- general standards: these are broken down into macro-indicators and simple indicators that describe technical conditions for providing a service with an incentive mechanism. The macro-indicators are:
  - M1 - "Water losses" (to minimise losses, with effective monitoring of water infrastructure), taking into account both actual and percentage water losses;
  - M2 - "Service interruptions" (to maintain service continuity, also through a suitable configuration of supply sources). This is the ratio between the total length of interruptions in a year and the number of end users served by the supplier;
  - M3 - "Quality of water supplied" (to ensure adequate quality of the resource for human consumption). This uses multi-stage logic, considering: i) the incidence of non-potability orders; ii) the rate of non-compliant internal samples; iii) the level of parameters from non-compliant internal controls;
  - M4 - "Adequacy of the sewage system" (to minimise environmental impact from waste water). This uses multi-stage logic - considering: i) the frequency of flooding and / or spills from sewers; ii) the legal adequacy of flood drains; iii) the control of flood drains;
  - M5 - "Landfill sludge disposal" (to minimise the environmental impact of wastewater treatment, for sludge). This is the ratio between the amount of sewage sludge measured dry that is disposed of in landfills and the total quantity of sewage sludge measured dry;

- M6 - "Quality of purified water" (to minimise the environmental impact of wastewater treatment, for the water line). This is the rate wastewater discharge samples exceed limits.

The model defined by Resolution 917/2017 / R / IDR provides that for each macro-indicator (intended as a minimum target) the local governing body (EGA) - for each supplier in their territory - defines:

- the baseline, based on technical data from the operator and validated by the same governing body;
- the annual improvement / maintenance objective of the operator based on the targets set in this provision.

An incentive system is also defined with awards and penalties, starting from 2020, for operator performance in the two previous years according to the TOPSIS methodology (Technique for Order of Preference by Similarity to Ideal Solution) identifying:

- an incentive mechanism (to increase technological and managerial maturity) for efficiency, with multistage rewards - basic, advanced and excellent - for operators belonging ex ante (for at least one macro indicator) to the class maintaining the baseline ("class A"),
- an incentive mechanism (to encourage improvements in resolving technical-managerial problems) for efficiency, with multi-stage - basic and advanced - incentives for operators not belonging ex ante to the class maintaining the baseline.

Costs related to compliance with specific standards and the achievement of technical quality objectives will be covered as established by tariff method MTI-2, as supplemented in Resolution 918/2017 / R / IDR. In particular, investment related to the measures and included in the maintenance program (PdI) is financed within updates to the relevant economic-financial program (PEF) or, if the conditions are met, by applying the provisions for extraordinary revision. In addition, the local Governing Body (EGA) may formulate a specific request to cover any additional operating costs.

The resolution introduces the system of technical quality indicators - as well as monitoring for these - from 1<sup>st</sup> January 2018 (based on 2016 macro-indicator values. From 1<sup>st</sup> January 2019 these will be based on the previous year, if available, and the application of rules requiring registration and archiving of this data from 1 January 2019.

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