



ARERA

Autorità di Regolazione
per Energia Reti e Ambiente



Annual Report on the state of services and the regulatory activities

PRESENTATION BY THE PRESIDENT

Stefano Besseghini

ROME, 15 JULY 2022

The Italian Regulatory Authority for Energy Networks and Environment

Stefano Besseghini	<i>President</i>
Gianni Castelli	<i>Member</i>
Andrea Guerrini	<i>Member</i>
Clara Poletti	<i>Member</i>
Stefano Saglia	<i>Member</i>

I would like to thank the representative of the Chamber of Deputies for their presence, hospitality and words of introduction.

I would like to greet and thank the representatives of Parliament and Government to whom the Annual Report is addressed, and in particular those present here today to represent the country.

I cannot fail to express my satisfaction at the possibility of renewing the annual report presentation ceremony in its entirety, because our humanity also needs these collective rituals, and a sociality that has been denied for all too long has brought out their importance.

It is also a special focus on all the people who in different capacities and roles are involved in public services.

Of course, we are all well aware that the pandemic is not yet over and our attention must remain high, but we also know how to manage the risks with a different awareness now.

The situation of energy, the economy and our entire society in Europe has radically and dramatically changed since 24 February this year with Russia's brutal, unprovoked and much condemned aggression against a sovereign state, Ukraine.

After the drama of the epidemic, war and even famine resurfaced in our daily lives, confirming how the words of Salvatore Quasimodo's poem 'You are still the one with the stone and the sling, Man of my time... with your exact science wooing slaughter...' resonate in all their dramatic relevance.

The conflict is having effects in all sectors, but it is clear that it is on energy - because of Russia's history and role - that the most obvious ones are occurring.

Autumn and the coming winter will be the most delicate times to be faced.

As things stand today, we do not know what the geopolitical evolution may be, but we do know that domestic and industrial gas consumption is on the upswing and it will be necessary to have the necessary quantities to sustain the country, through our storages and new supply routes.

To have more certainty of sustainability, at the same time, we have another tool to apply right away: energy savings.

Controlled electricity and gas consumption means less need for production and less need to import gas and commodities.

The Authority believes it is important that detailed plans be drawn up immediately

to deal with possible crisis situations in gas supply so that emergency management also sees clear roles, times and methods.

We believe it is time for the government, ENEA (Italian National Agency for New Technologies, Energy and Sustainable Economic Development), the GSE (Energy Services Manager) and the operators themselves to decisively promote information campaigns, vademecums and solutions that help save energy in all its forms.

We can all contribute with our daily choices, with more attention to energy saving both in our behaviour and in our purchasing choices.

The industrial sector itself, in terms of planning its activities, would benefit from the availability of this plan at least in its main lines of action.

With this annual report, the Board crosses the halfway mark. A mandate certainly characterised by unprecedented events, which required the Board and the structure to deal with approaches far from ordinary.

This awareness keeps us anchored in a great sense of responsibility, which is expressed in the commitment of every segment of the authority.

Let me then address a brief thank you to my colleagues on the Board, for their constant focus on seeking cohesion, consensus in decision-making and identifying the best decisions, not in absolute terms but in the given context and with a view to real possibility of application.

In 2021, ARERA also finalised the first Strategic Framework and drew up new commitments for the period 2022-2025, which, even just a few months later, appear in a different perspective.

Customer awareness, digitisation of services, focus on a 'fair transition', improvement of facilities, services, competition, development of energy communities for the decarbonisation process, are today's goals that have to contend with unprecedented energy prices, recurring droughts and a generally worsening economic situation.

Elements that test the resilience of households and the competitiveness of our industrial system.

And so, the old saying '*if you are not a part of the solution, you are part of the problem*' becomes the new Ockham's razor, the methodological principle that, among several possible solutions to a problem, invites you to choose the one free of unnecessary complexity.

We will continue to relate all our evaluations to this, in order to provide citizens and companies with quick solutions and conditions. Regulatory instruments to cope with this phase, as we did with our decisions during the lock-down months.

During 2021 ARERA made substantial progress in virtually all regulated sectors, developing important projects expected by stakeholders.

I am thinking, for example, of the extensive and participative work that led to the elaboration of the new and significantly reduced rates recognised on invested capital.

However, the new regulation did not merely reduce rates (to the benefit of service users) but also provided for more effective tools to link them to actual financial market trends, in a phase of gradual recovery of interest rates that has to contend with a sudden (and certainly unexpected in its proportions) season of high inflation.

Also with a view to consumer protection, a system of incentives was developed for the Electricity Transmission Grid Operator, aimed at increasing the efficiency of the dispatching service, which has significantly reduced costs already since the start of this year.

I am thinking of the adoption of the new regulation of access to facilities for closing the waste cycle, in order to favour their implementation in those realities that, even today, do not have them. Of the renewed quality discipline, which clarifies and strengthens consumer protection instruments.

Or even, in the water sector, of the comparative assessment of technical quality, a fundamental step in output-based logic and more generally to give users awareness of the operators' performance.

Actions which in normal times would have been interpreted as a great attention of the regulator to the needs of consumers and operators and which are being squeezed, in their scope, by the rush of costs.

No more than a year ago, the Italian and European debate was focused on how to guarantee and achieve the main objectives of environmental sustainability, monitoring that the higher costs associated with these objectives did not jeopardise the acceptability of the energy transition and leaving gas - cheap and plentiful - in the role of 'transition fuel' and guardian of security of supply.

Although the pandemic wave cannot be described as over, we had nevertheless begun to discuss the important revival of the economy after the most acute phase, becoming aware of how the increase in demand was putting a strain on the supply chain, prompted by the different speed at which various parts of the world were emerging from it.

At that stage, we recorded a price increase, which, however, still appeared transitory - also in the eyes of the European Central Bank - and surmountable also thanks to the possible activation of the North Stream 2 natural gas pipeline as supply-supporting facility.

As early as November, however, evidence began to emerge of how things would get worse: the decision to postpone the certification of North Stream 2 and the growing signs of behaviour instrumental to geopolitical logics were pushing prices, particularly gas prices, up again.

24 February 2022 is a date that has already gone down in history. If the condemnation of the war between Russia and Ukraine is unanimous and generalised, less obvious is the scenario we will have to deal with in the near future.

For now, we only see what has been destroyed and what remains threatened. Imagination and planning skills are needed to understand what will be built.

What is certain is that the topic of security of supply has regained centrality, urging the two fronts that, together with the aforementioned reduction in demand, may provide a possible solution: diversification of supply routes and a decisive boost to the development of renewables.

Italy has responded to the need for diversification by strengthening existing routes.

The focus was on increasing the quotas from Algeria in particular and creating space for increased use of LNG, but the new TAP route also demonstrated its strategic relevance.

To boost renewable energy resources, the virtuous path of simplification has been chosen.

The desire to speed up authorisation processes has been consolidated in government action, both by strengthening the structures dedicated to evaluations and by identifying conditions that facilitate the process itself.

But energy infrastructure, including renewables, requires community acceptance. Neither benefits for our national community as a whole nor economic countertrades or territorial development projects suffice.

Naturally, information, involvement and sharing the logic and benefits of individual projects with the communities themselves can yield positive results, but it is clear that the discussion often becomes laden with additional claims.

The facility or infrastructural work is caught up in a discussion involving sides and supporters, elements that are difficult to recompose in the stringent logic of a cost-benefit analysis.

An attempt to respond comes from the energy communities, to which ARERA will provide the regulatory elements for the final operational evolution in these days. They are a driver for the implementation of facilities and an attempt to make communities protagonists of choices that affect their territory.

How these initiatives will relate to a broader energy system vision remains an area of analysis.

A progressive supranational integration of market structures, services and, more

recently, security of supply strategies will be accompanied by an articulation of generation and consumption systems into smaller-scale groupings.

This dualism calls even more upon regulation to make an effort to synthesise and manage the overall governance of these mechanisms.

The topic of simplification therefore appears to be relevant, not only in speeding up administrative processes but also, and perhaps above all, in defining a coherent overall framework.

While the large number of players involved can be interpreted as a sign of participation, the compartmentalisation of processes risks being a disincentive to the realisation of initiatives and thus to achieving the expected benefits.

A topic that is relevant not only in the energy sector but also in the water and waste sector.

If the diagnosis seems agreeable (and all in all almost self-evident) treatment and prognosis require more attention.

Very often in the past, these viscosities have been responded to with the concept of 'emergency' and certainly, in this situation, the conditions are met.

There are not many possible antibodies to make the decisions that are made free from error or challenge. The technical nature, the objective complexity and the composition of heterogeneous technical and economic requirements make the path of generalised explanation for the extension of consent complicated.

The only way forward is that formed by the explicit assumption of responsibility by decision-makers and by constant, effective and substantive dialogue between the different levels involved.

The search for solutions must be geared towards providing effective answers to problems and not just ensuring the formal correctness of the process.

These considerations take place today against the backdrop of a substantial new development, the Italian National Recovery and Resilience Plan (or “PNRR”), which not only enables the infrastructural development of the country but also opens up a new season of reforms, strengthening of the public administration and simplification of processes.

It offers a potential and powerful antidote to the situation described.

An opportunity not to be missed and not to be wasted.

The disappearance of the prevalence of the Russian route will have two main outcomes in perspective, on the one hand the inclusion of our country (but actually of the whole of Europe) in the international dynamics of the LNG market, and on the other our presence in the European and Mediterranean context will recover a strategic value.

In the European sphere, ARERA - also by virtue of its presidency of ACER (the

European Union Agency for the Cooperation of Energy Regulators) and its active participation in CEER (the Council of European Energy Regulators, which it co-founded back in 2000) - has played a leading role in monitoring the impact of the energy crisis in the various European countries and analysing the consequent interventions adopted by their respective governments.

The continuous technical discussions with European regulators on the measures that have been adopted and the analysis of their impact on the national and European markets has allowed ARERA to play an important role in recent months in preparing recommendation papers for Parliament and the Government on the evolution of the current crisis.

On the other hand, the attention that ARERA has always paid to technical and institutional dialogue with the corresponding bodies of other Mediterranean countries is becoming increasingly important.

The constant collaboration with Algeria, Morocco, Egypt and Israel and ARERA's driving action within MEDREG, the association of energy regulators in the Mediterranean, as well as the recent coordination activity between the regulators of the countries that are members of the East Mediterranean Gas Forum, are proof of this.

A community of people who, through the exchange of expertise, manage to share a common vision of energy development in the area.

The Italian government has greatly strengthened relations with countries that have traditionally been gas suppliers, but it is important that our presence in the Mediterranean is further strengthened, with trade agreements but also through the sharing of economic and development models.

In this sense, the EU's renewed neighbourhood policy clearly indicates a path that ARERA has always pursued: that of integration between Mediterranean energy systems and the enhancement of sustainability.

Far from secondary, let me remind you, is the collaboration with the Ministry of Foreign Affairs and International Cooperation, confirming the necessary contribution that each of our institutions can make to strengthening relations, particularly with the Mediterranean area and the Balkans, a transit area for important energy facilities.

The Authority has been involved in the Balkan region for many years, both bilaterally and multilaterally. By 2022, we plan to complete the establishment of the Balkan Energy School.

In this period of unprecedented market conditions, there has been and continues to be a frequent call for European and national regulation to identify instruments that can mitigate the significant impacts of energy costs on companies and consumers.

The role of regulators in times of emergency is also to provide a technical viewpoint on critical issues.

The European Commission entrusted ACER with an evaluation of the effectiveness of the European electricity market design. In particular, the Agency was asked to assess the soundness of the market design, both in light of the continuing situation of exceptionally high prices and with reference to the goal of achieving full decarbonisation by 2050.

It is worth remembering that the European market is the largest electricity market in the world, with a structure resulting from a complex set of rules, introduced over more than twenty years since the liberalisation process began. The Agency has therefore been called upon to identify measures to preserve the integrated functioning of the different national markets in a scenario of extreme wholesale price volatility.

ACER, like most analysts, has identified the root of the problem of rising prices in the functioning of the gas market and in particular in a series of circumstances that led to a significant imbalance in the supply and demand for natural gas, but did not hide the lights and shadows of the current electricity market design.

On the one hand, it is undeniable that the market model has worked in 'ordinary' times, especially if supplemented by the ability to give long-term signals (e.g. through the activation of markets for the remuneration of capacity); on the other hand, it must be recognised that in extraordinary situations such as those we are currently experiencing, it is necessary to provide for equally extraordinary interventions, capable of limiting the strong fluctuations in the cost of energy for customers.

This should be done by reinforcing the level of integration of European energy markets and facilities, as well as by developing long-term market liquidity and the effectiveness of price risk hedging instruments, but also by looking at solutions tried and tested outside the European Union.

The strengthening of interconnections, the further integration of balancing markets, and the reinforcement of solidarity mechanisms appear to be the medium-term countermeasures on which an increased extraction of efficiency from our energy systems to external stresses can be based.

In the face of the unanimously shared objective of trying to preserve the full integration of national markets, the Commission's recent decision to allow Portugal and Spain to apply a price-limiting mechanism to the supply price of fossil generation in the marginal price composition may therefore appear counter-intuitive, but the decision is almost entirely based on the very consideration of the Iberian systems' lack of interconnection with the rest of Europe.

An approach that in the short time of its first application has shown mixed fortunes, with average discounts compared to the market price in other countries being lower than the imposed cap price, but which certainly has the advantage of giving the consumer the signal to intervene.

Whether this signal is more effective than the *ex post* annuity extraction chosen

by Italy remains to be understood.

It is clear to all that the specific Iberian context is essentially unable to be replicated in other individual countries, given that the main side effect of the mechanism, the growth of fossil fuel generation to meet export demand (borne by the Spanish consumers), would have far higher impacting effects. Moreover, in a market such as Italy, it could jeopardise security of supply, should it lead to a contraction of imports from neighbouring countries.

However, the question remains as to what the practicability of this approach on a large scale would be, involving the European electricity market as a whole, thus limiting the overall price signal passed on to the European consumer.

There is great expectation for a possible new intervention by the Commission, regarding the identification of instruments that can offer immediate answers to the further price surge of this last period.

The relevant topics will be cost mitigation measures in the electricity and gas markets and, presumably, an acceleration on the possible implementation of a cap on gas prices.

Allow me, just for a moment, to step out of the record to try to draw an initial 'lesson' for regulation from this first year of the energy crisis.

It is in fact since June 2021 that prices have started to rise, that governments (and the Italian government first and foremost) have started to intervene with gradually more intense actions to support consumers, and that a great deal of attention has been paid to the limits, real or presumed, of the energy sector's operating mechanism.

There is certainly room for improvement, but I believe an initial conclusion can be drawn: in tackling a complex and articulated sector such as energy, a perhaps not sufficient but certainly necessary condition is that of strong coordination (including international coordination) of decisions.

Collaboration between the different players involved in the decision-making process becomes an absolute value, given the complexity of the sector and the level of integration achieved by the internal energy market.

A complexity that should not be a brake on action, but the element around which to recompose the different, often conflicting interests that characterise the players in the sector.

Much of regulation has proven to be a good combination of stability of rules and responsiveness to change, seeking an increasingly resilient approach.

Even amidst this price crisis, the continuous listening to operators, consumers and their associations, has made it possible to activate adjustments to the regulation, to make it more adherent to the changed context conditions.

Yet, it would be important to develop a regulation (indeed, a resilient regulation) that would already possess within itself the rules and ways to implement these changes.

This is without doubt a complex objective, but in the end it can be traced back to a different attitude in the definition of rules, for example by ensuring that regulation is constructed in such a way as to adapt dynamically to changes, even sudden changes, in the reference context.

Since its establishment, this Board has focused on the development of loyal institutional collaboration, while deeply respecting the independence of action and judgement that must characterise the regulator's actions.

Over the course of this year, on numerous occasions, these concepts have been substantiated, and - while not doing so individually - I am obliged to thank all the central and local institutions with which a constructive dialogue has been initiated, respecting their roles.

A dialogue that has often required the Authority to interpret its role in a substantial way, in the belief that the end result, especially when oriented towards consumer protection, should prevail.

At the same time, precisely in application of the same principle of loyal cooperation, it is impossible not to note how the regulator's independence is increasingly being affected in a non-serious but widespread manner, with rules that directly intervene on the organisational and managerial autonomy of ARERA, without taking into due account the specificity of regulation in the more general sphere of the Public Administration.

The autonomy of the regulator is the prerequisite for the construction, over the years, of a set-up of competences capable of exercising with full awareness that delicate balance between the theoretical technicality and the specific practice of regulation.

In my first report to Parliament, I said "*...the value of the Authorities lies above all in the character of independence, which must be defended in its principles, honoured in its acts and respected in its relations.*"

Words that I feel strongly about today.

The cost dynamics we have described have had and are having an impact on the entire industry supply chain.

The wholesale electricity market has become such a major news story that the marginal price system is often addressed even by laymen.

The most critical aspect is usually related to understanding why sources with different generation costs should receive identical remunerations.

This has led, on the one hand, to the resurgence of the debate on pay-as-bid mechanisms in the - simplistic - assumption that the move to such a mechanism could bring about a better alignment between producers' revenues and costs, and on the other hand, suggestions of market segmentation by technology - renewables and fossil fuels - or by geography - domestic and non-domestic markets - have emerged.

Segmentations difficult to implement and potentially inefficient.

The market design, however, can and must be improved, moving away from the logic of emergency intervention to ensure that each producer's revenues are commensurate with its costs. Instruments such as contracts for difference or PPAs can contribute to this.

What is certainly new is that the increasing availability of renewable energy resources in the energy mix is no longer only required to contribute to decarbonisation, but also to reduce the final cost borne by consumers.

The other topical issue is that of the 'gas price cap', a term as attractive in its simplicity as it is difficult in its implementation.

The need to develop the topic has now gained considerable consensus, and the commitment to find a viable way forward, moving from the Commission down to individual national regulators, is constant.

A key element in this extremely tense phase is the need for a complete and up-to-date information set for decision-making.

A concept that is true in general (to know in order to deliberate) but particularly relevant in the energy field, due to the very technical nature of a sector in which political objectives must inevitably come to terms with numerous constraints.

The Italian government, in this perspective, has entrusted ARERA and the Ministry of Ecological Transition with a valuable tool for a more correct framing of market dynamics: the analysis of gas import contracts in our country.

Here I would like to thank both the offices of ARERA for the promptness and self-sacrifice with which they tackled this new task as quickly as possible, but also the operators who provided information and insights in a timely and prompt manner.

This has made it possible to produce an initial report on the findings within a few weeks and to provide information for recent regulatory decisions.

This is not the place to go into the details, for which you will clearly need to refer to the report itself, but two points I do feel are worth mentioning.

What has emerged is the substantial disappearance from our country's strategic assets (but it is easy to assume that the situation is generalised to the whole of Europe) of so-called long-term contracts.

At least the disappearance of price stability mechanisms over medium to long periods is clear.

Almost all contracts have indexation mechanisms to the gas spot markets. The automatic adjustment mechanisms, but also the frequent annual renegotiations as well as the presence of clauses guaranteeing the supplier countries the possibility of invoking extraordinary price revisions, mean that the contracts represent an element of guarantee of the volumes supplied but not of price, except in the short term.

The exception is a few joint investment contracts with producing countries, which maintain substantial independence from the spot price but for relatively small volumes.

This type of joint investment could be a way forward, especially with regard to the development of LNG, which will face a significant number of investment decisions over the coming years.

The second element that emerged was the relevance of risk hedging instruments put in place by importing companies. This is an element that is certainly well known in its general traits, which emerged in these initial evaluations, and which will require specific in-depth studies to identify correct ways of assessing it in the ensuing regulatory and/or normative choices. This is particularly true because of the need not only to appreciate the general effects, but the punctuality of the mechanisms and their actual impact in determining a possible procurement cost.

The topic of hedging is of course not specific to gas contracts, but pervades a sector structurally exposed to significant and diverse risks, as has also emerged from the application of the Italian rule on the extraction of renewable energy resources yield (operated net of hedging), from the application in Spain of the cap mechanism (which excludes quantities already contracted) and from the recent financial difficulties of major operators.

To close this chapter, it is also useful to return to another aspect that has animated the debate at this stage: the evolution of statistical monitoring.

It has emerged on at least two occasions that ISTAT The Italian National Institute of Statistics needs to update both the values and methodologies underlying the collection and publication of price statistics on natural gas imports.

These are corrections made necessary by the changed dynamics in price changes, which are characterised by significant speeds and absolute values.

In this regard, despite the good degree of alignment achieved, it is necessary to consider that the different purposes and ways in which this data is collected do not allow for a timely and complete comparison with the data collected by the Authority for regulatory purposes.

Here again, I must thank the Excise, Customs and Monopolies Agency and ISTAT for their prompt willingness to discuss the substance and the development of critical aspects.

One important part of the supply chain that was certainly affected by the COVID phase first and the subsequent evolution is clearly the wholesale and retail operators.

The Authority has constantly monitored its development, in particular during the past winter, adopting measures aimed at reducing the risks of default by operators and the consequent need for socialisation of financial transactions along the supply chain.

At the current stage, the difficulty for suppliers to procure natural gas may result in some being unable to honour their supply contracts with final customers.

This phenomenon should be monitored because it would result in a significant increase, firstly, in the default transport service and subsequently in the activations of natural gas services of last resort (FUI and default distribution).

This has already happened in the last quarter of 2021 and at the beginning of the current year, with a much higher level of volumes served in such services of last resort than the much smaller numbers recorded in previous years.

The Authority considers it necessary to re-evaluate the way in which these services are provided to take account of changed conditions, or to define actions to allow these services to continue to play the residual role for which they were defined, limiting the inconveniences for final customers resulting from changes in supply arrangements and higher costs.

After a long gestation period, the list of entities authorised to supply electricity has finally been approved: it must now be structured as quickly as possible.

In Italy, there are more than 800 suppliers in the electricity sector, with many small operators alongside a few very large ones.

Some small suppliers maintain this size as they target particular niche markets, but it also seems to emerge how difficult the leap from serving a few customers to serving a medium/large number of them is.

The supplier list will call for a consolidation of this segment (through, for example, the minimum level of paid-up share capital), providing a clear picture of reliable operators active in the free market.

The difficulty for suppliers to grow in size lies in the technical and organisational capabilities and economic and financial impacts of serving a large number of final customers.

It also requires the ability to manage greater and different risks, including in terms of commodity supply. Risks that, moreover, may be more diversified in corporate structures that also perform other activities.

Naturally, all the actions described are ultimately aimed at preserving the sustainability of energy costs for households and the competitiveness of

industrial sectors.

At present, a high level of prices, at least in the short to medium term, and costs for the entire energy system seem unavoidable.

That is why it is necessary on the one hand to continue working at the European level on forms of wholesale price containment and market reform, and on the other hand to consolidate actions to support consumers.

Since June 2021, quarterly, coinciding with price updates by the Authority, there have been gradually increasing interventions by the government to first reduce and then to zero for all customers, households and businesses, an important part of the bill, namely the general system charges.

These interventions were limited to the electricity sector in June 2021 and they were then extended to natural gas, a sector in which the intervention concerned not only general charges (which were less significant than in the electricity sector) but also VAT, which was reduced to the minimum level permitted by the relevant EU rules.

Then, since the last quarter of 2021, there has been an even more profound support intervention dedicated to the economically weaker families, with the extraordinary reinforcement of social bonuses (an instrument on which I will comment specifically a little further on), bringing them up to a value capable of offsetting the increases of the last year.

On all these interventions, as required by law, the Authority provided last May a detailed account of the allocation and use of the resources disbursed from the State Budget.

It provided evidence to Parliament and the government of the use of the approximately 16 billion euros, allocated to contain the costs of gas and electricity services during the hardest phase of the pandemic and subsequently to counteract the price crisis we are still experiencing.

In this framework, the Authority has never failed and will not fail to provide the Government and Parliament with the required support in reading the tariff mechanisms of the energy sectors and full cooperation to ensure maximum effectiveness of public action to protect customers and the overall stability of the sector.

The intensity of the resources that had to be put to protect consumers and companies at this stage must now come to terms with a scenario of cost consolidation and thus clearly shows its unsustainability in the long run.

An intervention that was fully justified in the presence of a phenomenon that was expected to be transitory and also supported the rationale for a wide-ranging intervention must now necessarily give way to more selective mechanisms.

Aids which, if modulated on energy consumption indicators, cannot always fully describe the income condition of the consumer and risk giving inefficient results or, on the contrary, not reaching those who actually need support.

The low consumption-low-income equation is often unverified.

Rather, past analyses by ARERA have shown a direct and clear relationship between consumption and the number of household members. Much less clear and unambiguous is the relationship between income and consumption.

Indicators of the economic condition of households have proven to be more effective and their variables can be modified in order to strengthen support policies for those consumer groups not traditionally targeted for intervention but now in need of support in this delicate situation.

In 2021, and for the first time since the introduction of the bonus mechanism, citizens only needed to fill in the Single Substitute Declaration (DSU) for ISEE (Equivalent Economic Status Index) purposes for any reason to obtain the expected reduction on their spending directly in their bills, overcoming the old bonus-on-demand mechanism that over the years had in fact limited the discounts to only a third of potential beneficiaries.

The subsidies, lasting 12 months, historically cover approximately 30% of the bill, providing relief to those in need.

In the last year, social bonuses have undergone significant changes as a result of government interventions to sterilise bill increases due to high commodity prices.

As of today, for 2.5 million households entitled, on the basis of ISEE, to social bonuses for electricity and for 1.4 million who benefit from the gas bonus, the tariff increases have been substantially compensated as of the last quarter of 2021; in other words, these households pay bills not dissimilar to those of June 2021.

And this is not all. In 2022, the Government allocated the resources that enabled the Authority to confirm the strengthening of the social bonus for the next quarter and for a greater number of families in need, thanks to the raising of the ISEE limit level for access (raised from €8,265 to €12,000, or €20,000 for families with more than 3 children).

The beneficiary households, informed and solicited also by targeted communication by the Authority through social networks and the press, thus became over 3 million for the electricity bonus and over 2 million for the gas bonus.

The growing impact that energy costs have on household economies calls, now more than ever, for initiatives to curb aggressive commercial behaviour by

suppliers and the risk of customers not making fully considered choices. In the face of misbehaviour, which seeks to exploit the uncertainty of the moment and drive for urgent action, it is useful to use the tools already provided by the authorities and to gain awareness to assert one's rights.

For these reasons, "DIFENDITI COSI" (DEFEND YOURSELF THIS WAY), the first communication campaign organised by two authorities together: The Italian Competition Authority and ARERA, has kicked off these very days to provide consumers with advice and information to defend themselves against the insistence or unfairness of some call centres.

The initiative came about as a result of an increase in complaints about the excessive pressure of call centres dedicated to teleselling, reports - also received from consumer associations - ranging from generic 'insistence' of telephone calls to incomplete or false offers, to non-explicit registrations, to alleged calls made in the name of the Authorities themselves (who, we should recall, never call).

"DIFENDITI COSI" has a dedicated information site, promoted through a spot broadcast in the free RAI (Radiotelevisione Italiana) spaces granted by the Publishing Department of the Presidency of the Council of Ministers (whom I would thank) and aims to reach the public through digital, social, video and audio channels, useful to maintain a dialogue with consumers.

In this context of emergency, the path towards overcoming price protections for families continues carefully.

Having reached the end of the electricity protection regime for small businesses in June 2021 (accompanied towards the free market with the gradual standard offer service, which we will come back to later), the next steps will be for the end of the protection regime: in January 2023 for micro-companies and artisans and in January 2024 for households.

A timetable (which for electricity involves about 11.2 million households and about 1.7 million business customers, and for gas about 7 million domestic) set by current regulations, but which has also become a renewed commitment for the country, with its inclusion in the NRRP (The National Recovery and Resilience Plan) targets.

In January 2023, the end of gas household protection is also planned.

This is a less complex step, given the structure of the protection service in this sector, but with respect to which ARERA has already indicated on several occasions that it would be appropriate to postpone the date, in order to make the end of services in the two sectors simultaneous.

Confusion between the different deadlines is likely to arise, creating room for excessive commercial pressure on consumers.

The Authority moved in good time, activating the mechanisms of gradual

standard offer service for the next steps, according to a gradual path already advocated by this Authority and incorporated in the current regulatory framework. Initiatives that will necessarily have to see a responsible participation of the operators themselves, on which we will be vigilant, and an active participation of consumers, as we cannot disregard the information asymmetry that still characterises the two players in the field.

The Authority maintains an ongoing commitment to defining, refining and harmonising tools to promote transparency of offers and knowledge of consumption. It is also in this context that the recent updating of the bill must be seen, which, precisely with a view to the removal of protective services, aimed to strike a delicate balance between simplification on the one hand and completeness of information on the other.

Gradual standard offer service is the name given (by the 2017 Competition Act) to the service of last resort, intended to guarantee continuity of supply to final customers without a supplier in the free market, for the time strictly necessary to find one.

It is therefore an evolving instrument that takes into account the need for specific protection of small customers in the initial stages of removing price protection to prevent unjustified increases and alterations in supply conditions.

For households' electricity, there will be a transition period, during which they will continue to be supplied in the greater protection regime offer, for the time strictly necessary to carry out all the activities required for the allocation of the gradual standard offer service to them.

With regard to the gradual phasing out of the protection regime for households in the electricity sector, it is important to remember that Legislative Decree 210/2021 provides for the maintenance of price protection for vulnerable customers, to whom free market suppliers are required to submit an offer at a price set by the Authority.

As already noted elsewhere, the provisions of the aforementioned decree should be supplemented in order to clarify the discipline to be applied to vulnerable customers in situations where they are served in the gradual standard offer service.

The Authority considers that, even in this service, the supply conditions applied to vulnerable customers should be such as to provide them with forms of specific price protection, with the need to define possible socialisation mechanisms.

The completion of the regulation of vulnerable customers is a priority, also in order to allow these customers to benefit from liberalisation and not be penalised by it, all the more so in the current context of tense energy markets.

For small companies, the gradual standard offer service was awarded in 2021 to the relevant operators, through competitive procedures that saw extensive

participation by operators and particularly competitive prices.

Initial numerical evidence on transitions to the free market by customers supplied in the gradual standard offer service shows that around 40% of these customers have signed a contract in the free market. This reveals another positive result of the first stage of the ongoing process, namely that the allocation of a different supplier from the incumbent one has stimulated customers, including those who had remained inert until the permanence of the greater protection regime, to find an offer on the free market.

In view of the upcoming deadline of January 2023, the Authority has already prepared the regulation of the gradual standard offer service for micro-companies, starting from the regulation of the corresponding service for small companies but adapting it to the characteristics of this new group of final customers who are numerically much larger (more than one and a half million) and with consumption characteristics more similar to those of households.

Once again, auctions will be used to allocate the service, also in view of the proven effectiveness of this instrument in ensuring equal treatment among market players and potentially beneficial outcomes for final customers.

The fine-tuning of the tender procedures, even in this second phase that will end with the publication of the tender results in October, has required and will continue to require intensive and punctual work, and we hope that it will bring competition and competitive service award prices.

However, it cannot be ruled out that the current context of high volatility of market prices and uncertainty about market trends may have an impact on the outcome of the above-mentioned procedures.

Again, for the success of the liberalisation process, communication campaigns with the participation of all institutions involved and with a careful selection of targets and messages will be essential.

In this regard, it is once again pointed out that, due to the different time-frames for the termination of protective services between the electricity and natural gas sectors, domestic customers could be confused and receive misleading advertising messages. It is therefore worth reiterating that, from this perspective, a regulatory alignment of the two deadlines would certainly be desirable to contain this risk.

In 2021, as in previous years, the progressive and constant access of final customers to the free market is confirmed, so that at the end of the year just over 60% of domestic electricity customers and 71% of other customers connected to the low-voltage market had chosen to be served by a supplier in the free market. This data is also consistent for the natural gas sector, where at the end of the year more than 60% of households were served in the free market.

The dynamics of switching supplier, from and to the protection service and within the free market, show higher rates than in the previous year: 17% of domestic electricity customers, 12.4% of domestic gas customers and 21% of other low-voltage customers chose to change supplier in 2021, with rates of return to protection always marginal.

The confirmation of these numbers over the years, economic considerations aside, demonstrates the increasing familiarity of growing shares of customers with the switching process, which does not expose them to any risk of supply interruption, which the intervention of regulation has made increasingly easy and on which significant improvements in timing are expected. The efficiency of this process is one of the main guarantees supporting customer freedom of choice.

It is, of course, difficult to draw conclusions about the reasons for, for example, the increase in the rate of exit from protection regime.

At least in an initial phase, the promotion of the main service acquired in the transition to the free market, the fixed-price service, which was considered preferable if not more convenient than the dynamics of a protection price evidently influenced by the strong turbulence in the wholesale market on which we have already dwelt at length, may have played a role.

In the course of 2021, ARERA devoted many resources to an increasingly detailed assessment of the dynamics of choice in switching to the free market, enriching the typically quantitative information with more detailed elements on the type of choices and the actual availability of offers.

The usual analysis of energy costs is naturally affected by the special situation in 2021. The sudden rise in wholesale prices led to a significant increase in energy costs for the protected market, especially in the second half of the year.

Costs that have reached and exceeded many of the fixed-price free market offers already subscribed to.

Naturally, the evolution of offers at this stage will be significant, with a market that is already experiencing a major reduction in fixed-price offers and, at times, early contract terminations.

Also in 2021, as in the previous period, the majority of households who switched to the free market signed fixed-price contracts (more than 90%). The most recent analyses show that 80% of fixed offers were cheaper than the protection regime offer.

For the few households who, on the other hand, subscribed to variable-price offers, a higher cost compared to the protection regime offer was observed in 67% of cases.

This data shows that the transition from the protection regime services to the free market often does not translate into an economic advantage for the final customer.

This is probably due to the pressure of aggressive marketing, which often relies on incorrect information, and a still prevailing role of the major historic operators.

A situation to which more and more attention should be paid, with strict enforcement actions towards operators and information initiatives for the customer. These include the “Portale Offerte”, a tool made available to customers by this Authority to assess in a timely manner both the affordability and the additional features of the offers they have chosen.

Let me conclude this extensive space dedicated to the energy sector with two relevant 'caveats', which the activities carried out during this period consign to the future.

Social energy bonuses, consolidated in the enlargement of the target group of beneficiaries and net of support elements for the increase of the energy component, should in any case continue to be financed through general taxation, so that - like all social policies - they do not pass through the bills of other customers but are supported by the community as a whole.

In the current situation, their necessary upgrading risks becoming an unsustainable burden on the bills of non-bonus recipients in the future.

The second is the consideration that system charges should be structurally shifted into general taxation, even at the end of the emergency phase.

The government's extraordinary measures of the last few quarters were in fact a forerunner of this choice and demonstrated its great potential in terms of bill benefits for customers but also in terms of simplifying the entire collection process for the entire sector supply chain.

Even the economics ministers meeting for the Eurogroup a few days ago reiterated that income support measures are, 'in principle, preferable to price measures'.

In this regard, it would in any case also seem appropriate to consolidate the decision to allocate CO2 auction revenues permanently to general system charges.

The emergency phase that the energy sector is facing has not diminished the commitment of regulation on the facilities side, the backbone of the sector and a potential driver for innovation and the development of more efficient solutions.

It is in this vein that the Authority is pursuing its proceedings for the introduction of more efficient and service-oriented cost recognition logics for grid operators (both in the electricity and gas sectors), according to the so-called ROSS model (Regulation by Spending and Service Objectives).

The ROSS model of facility regulation, the detailed structure of which we have just presented, brings together and evolves an aspect that has characterised regulation in Italy for more than 20 years: the focus on the quality of the service rendered to customers, with solutions that are more evolved from one period to the next, right up to interventions to promote the resilience of networks to extreme events.

Returning to the topic of electricity service quality, which has also been the subject of considerations in previous reports by this Board, new rules were introduced in 2019, with the aim of recovering the most critical situations, and to this end, regulatory experiments, veritable innovation yards, have been launched since 2020, which operators have set up especially in the southern regions.

The results of the electricity service quality indicators in 2021 are encouraging, as they show significant improvements compared to 2019, a sign that the changes introduced for the current four-year period have stimulated operators to take action. We sincerely hope that the results of these first two years can be structurally consolidated in the coming years of the regulatory period.

Since the first annual report of this Board, special attention has been paid, with reference to the water sector, to the major topic of climate change and the measures that can be taken to mitigate its negative effects. The increasing frequency with which extremely serious phenomena such as to jeopardise the continuity of the provision of essential services have been occurring for years now makes it necessary to carefully evaluate increasingly ambitious public choices.

The water sector is characterised by the contradiction of historical emergencies, emergencies that should not even be called such, given their repetitiveness and predictability.

Droughts and low water availability continue to alternate with regularity with hydrogeological disruptions caused by floods.

Italy certainly cannot be counted among the water-poor countries. Neither in terms of sources, nor in terms of rainfall.

Sources that are sometimes inherently weak because they are linked to the strong variability of rainfall and therefore exposed to severe drought conditions such as those that are characterising this period.

The magnitude of the changes underway requires, on the one hand, an innovative evaluation of the choices traditionally adopted to guarantee water supplies and, on the other, a reconsideration - strengthening their effectiveness and efficiency - of the management tools and choices for the use of a resource whose availability, in terms of quantity and quality, is increasingly an objective to be achieved rather than a certainty to be relied upon.

It is precisely the magnitude of these changes that has led our country, for some time now, to call for strong cooperation from the many Administrations with jurisdiction over water resources and services in order to define increasingly effective policies, without prejudice to the competences and responsibilities of each institution.

But one cannot fail to note that it is precisely the magnitude of the challenges to be faced that sometimes makes the competences of the Administrations concerned appear segmented or fragmented and suggests, especially as critical issues worsen, the adoption of measures aimed at strengthening certain possible

initiatives.

A few days ago, the Minister of sustainable Infrastructures and mobility, in a hearing in the Senate, referred to the fragmentation of the players involved and the water management bodies.

There are many of us, including ourselves.

Mims-Mite-Mipaaf-ARERA- Hydrographic basin district authorities - Regions - territorial areas and local entities. To list just a few of the most important. Each with its own tasks, certainly performed to the best of its ability, but with an inherent weakness due to the very segmentation of competencies.

There is no need to speculate here as to what the fall-off points of the reflections launched in recent days on the centralisation of control and steering functions will be. It is up to Parliament and the government to show a path.

I therefore limit myself to observing the work ARERA was asked to do on water exactly ten years ago.

The time that has elapsed since the heated debate that preceded and followed the 2011 referendum allows us to begin some analysis from a historical perspective.

Compared to the landscape of some European countries that have been investing in their water networks for decades, we are objectively lagging behind.

With specific reference to water leakage, in Italy, with regard to the sector regulated by the Authority, the value is on average just over 40%, with important territorial differences. While this figure is still unsatisfactory, it is worth noting that, for the past 10 years, things have been progressively improving in our country as well.

ARERA's work provided the framework of technical and regulatory stability that operators and lenders needed. Over the last 10 years, investments have quadrupled from around one billion in 2012 to four billion today, in a joint effort by operators and competent administrations to reach a value of €66/inhabitant/year.

Values that still have potential for growth both in terms of tariffs and public contributions, but which above all refer to managements that plan and invest as much as planned and with realisation rates close to 90%, a true sign of the importance of ARERA's constant action.

The analysis of the investment needs (gross of subsidies) for the period 2020-2023, at national level, confirms the efforts of the operators to limit water leakage.

These investments absorb around 22% of the total needs of the sample for the four-year period 2020-2023, showing a slow but steady improvement in leakage, from 43.7% in 2019 to 40.7% today.

Efforts in the aqueduct sector that - although of minor impact in relation to total abstractions for the different uses (civil, manufacturing and agricultural) -

contribute to mitigating the overall demand for the resource and suggest the development of similar approaches in the other sectors of use.

It is a slow improvement, a few percentage points, related to investments made predominantly in the Centre and North. Unfortunately, the water service divide that we highlighted in the first report of this Board continues to exist.

Regions such as Calabria and parts of Campania and Sicily, still have operators without a legal concession, while in the case of Molise there have recently been positive developments towards the implementation of the reform of regional water services aimed at catching up with the by now significant delays.

These are situations with evident margins for improvement towards the application of regulation and in particular the obligations of survey and communication of information, the non-fulfilment of which also distorts the statistics on leakage, which are therefore assumed to be much higher than the national average in those areas.

Is it necessary to exert coercive power to induce a part of the country to catch up and align itself to better standards?

The urgency remains to proceed with the concession of the integrated water service in all those situations in which there are not clearly delineated or safeguardable managements, nor have single sphere managements ever been identified.

One of those simplifications I mentioned in the introduction needs to be continued in the rationalisation of the management landscape.

Continuing situations of inertia may be critical, especially when it comes to the possible use of funds made available under the National Recovery and Resilience Plan (the 'PNRR').

The Authority hopes that the configuration of management situations with the necessary organisational and implementation capacities will be rapidly achieved, suggesting that consideration be given to introducing simplifications in the concession procedures and to devising additional solutions to the external administration model.

In July 2021, the Authority submitted a specific recommendation paper to the Government and Parliament, on this territorial gap, asking for urgent action to activate industrial management in the areas of the South without concession as soon as possible.

Our recommendation was to assign a peremptory deadline to the local governing bodies and then to the regions, in order to carry out a legal concession. After these deadlines had passed, it was recommended that the management of the water service be entrusted to wholly publicly controlled state-owned companies for four years.

However, time has passed in the meantime and today, confirming the validity of that approach, what would perhaps be necessary, moreover in the light of the

persistent inertia in almost all the contexts considered, is a further reduction in time, that is, the adoption of reinforced structural solutions, which appear to be actions that can no longer be postponed in order to rapidly arrive at the configuration of managements endowed with the necessary organisational and implementation capacities throughout the country.

To decide one must know and to know one must measure.

The Authority is doing this by measuring the contractual and technical quality of the integrated water service.

It is only through performance analysis that it is possible to establish the highest standards to be inspired to close the still existing gap between the different areas of the country.

The water service was measured for its technical quality and judged, by awarding bonuses and penalties to operators, for results achieved and consolidated in 2018 and 2019.

The ranking published by ARERA and freely available on our website has concluded the first two-year period of application of the incentive mechanism.

The 6 macro-indicators, with which water leakage, service interruptions, quality of water supplied, adequacy of the sewerage system, quality of purified water and sludge disposal were compared, allowed the work of 203 operators providing services to 84% of the population to be ranked.

Information available and able to be browsed in detail - with a view to transparent regulation - also by means of interactive tools on the Authority's website, navigable maps and graphs that make it possible to compare quality levels in different areas of the country, down to the individual municipality.

According to a survey conducted at European level, by the European association of water regulators (WAREG), Italy ranks in the cluster of countries with advanced regulation in terms of transparency, ensuring the publication of disaggregated data per individual operator and flanking monitoring with an incentive effect.

As announced in the 22-25 Strategic Framework, the Authority intends to promote innovation to stimulate competitive dynamics and the introduction of technological innovation. Precisely in order to improve the quality indices and to ensure an acceleration in the achievement of the targets, the Fund for the Promotion of Innovation in the Integrated Water Service was established at CSEA as part of the biennial update of the tariff method.

While the measurement of managerial and technical performance is an element of transparency, the measurement of consumption remains an essential element that has ample room for improvement.

Measuring consumption, aiming at the singularisation of meters, bringing order to a jungle of diverse behaviour, is an ambitious but indispensable goal. Metering consumption correctly is a duty and a right and is the only way forward, with the active contribution of managers, building managers and individual users.

In 2021, the Integrated Water Service Metering Regulations (TIMSII) were updated through the declination of protection obligations for users affected by hidden leakage issues (also taking into account the potential contribution that could derive from the use of new metering instruments equipped with water smart metering devices), reinforcing the effectiveness of the forecasts regarding the collection of metering data and procedures for remote metering, as well as promoting measures to enable owners of residential units (underlying condominium utilities) to have access to consumption data and individual information.

As pointed out at the beginning of this section, the scarcity of water resources makes investments along the entire supply chain a must. In addition, the potential of reusing the resource, for example through the use of wastewater reuse, should be exploited.

From the analysis of the data collected for the year 2021, referring to a sample of 67.3% of the ISTAT resident population, in absolute terms the total volume of purified wastewater was found to be 4.48 billion cubic metres, the total volume destined for reuse was found to be approximately 814 million cubic metres, and the total volume actually destined for reuse was found to be 177 million cubic metres.

With a potential of 18% of wastewater for reuse, only about 4% is actually reused.

In order to encourage the use of reuse, the Authority considers it a priority to implement the European Regulation No. 741/2020 according to the full cost recovery and the "polluter pays" general principles for a proper allocation of the operating costs of facilities intended for reuse guaranteed by the national regulator.

There were also impacts in the water sector, mainly of a financial nature, resulting from rising energy costs.

In order to cope with the emergency situation, Resolution No. 229/22 introduced the possibility for operators to have recourse to extraordinary economic and financial support instruments in relation to the cost of energy, accompanied by energy audit obligations, introducing a further new element in the regulatory context.

The Authority has, in fact, already started monitoring costs a few years ago in order to ensure energy efficiency in a substantially energy-intensive sector and will continue to promote greater attention to energy saving potential and efficient procurement, also in line with new EU regulations (e.g. revision of the Waste Water

Directive).

The year 2021 was characterised by the release of the first funding lines of the Next Generation EU package, which concerned the integrated water service and allowed the allocation of an initial share of resources to specific projects, contributing to the sector's investment spending of approximately 1.5 billion euros (compared to a total allocated resources value of 2.5 billion euros), while waiting for the selection (with the involvement of the Authority itself) of projects to be financed with a further 1.5 billion euros destined to support interventions for the digitalisation of networks and the reduction of water leakage (for 900 million euros) and the modernisation of sewerage and water treatment facilities, also in order to overcome the EU infringement procedures for 600 million euros.

In 2021, the Authority, with the support of the Energy and Environmental Services Fund (CSEA), continued monitoring the progress of the interventions admitted to financing under the first section of the former "water supply networks" section of the National Plan of Interventions in the Water Sector: the Authority (by authorising the disbursement of 44% of the allocated financing) found, at the same time as the progress of several projects (some of which have come to a conclusion with the disbursement of the last tranche of financing), the persistence of situations characterised by protracted delays due above all to the COVID19 health emergency, and it assigned a deadline to the parties concerned for the use of the resources granted.

In relation to the resources allocated by the PON National Operational Programme for Facilities and Networks, interventions were initially financed in Campania, Apulia and Sicily for a total amount of 297 million euros.

Other projects will be added to these, where deemed eligible, which will benefit from the increased resources made available by the National Operational Programme, amounting to 169 million euros, until the total budget of the Axis is exhausted.

In 2021, the Authority continued the process of constructing the regulatory framework for the waste sector, through the definition of the Tariff Method for the second regulatory period 2022-2025 (MTR-2) and finalised the path for the adoption of the Single Text for the regulation of quality, introducing a set of minimum service obligations valid for all managements flanked by the provision of overall quality standards.

With the approval of the MTR-2 (in force since the beginning of this year), the Authority extended the scope of control of the supply chains compared to the first tariff method (MTR), introducing the regulation of access tariffs to municipal waste treatment, recovery and disposal plants.

A method that rewards the use of treatment plants that optimise waste and

penalises landfilling. The MTR-2 also delineated a four-year horizon for the economic-tariff planning of the operations and provided for an intra-period update of the same.

The new regulation was introduced in coherence with the policies developed within the PNRR: on the one hand, the four-year planning horizon makes it possible to fully frame not only the progressive effects of the incentive actions, but also those related to the development of treatment and recovery systems capable of guaranteeing increasingly higher performance; on the other hand, the regulation of plants, which has been accompanied by the necessary implementing decisions, in addition to overcoming long-standing critical issues also related to regulatory uncertainties, has been incorporated into the National Waste Management Plan (PNGR- a guiding tool in the implementation of new national policies on the subject).

When defining the MTR-2 for the purpose of determining access tariffs to treatment plants, a reconnaissance activity was undertaken to acquire data and information concerning municipal waste treatment plants, in particular by requesting the competent regional planning administrations to distinguish between 'integrated' and 'minimum' cycle closure plants (to be subject to regulation characterised by incentives consistent with the European waste management hierarchy) and 'additional' cycle closure plants (*de facto* operating on the market with transparency obligations on access conditions).

A distinction to be made due to the degree of integration of the waste management entity and the assessment of the level of effectiveness of the possible existence of competitive pressure in contributing to the promotion of allocative efficiency.

It is clear that the attention paid by the Authority focused on plant structures capable of effectively completing the waste cycle in the territories examined, attributing, for example, mechanical and mechanical-biological treatment plants only a transitional role towards the actual disposal or recovery plant.

Seventeen Regions and the two Autonomous Provinces of Trento and Bolzano have provided the Authority with input on the choices within their competence, in line with their dissertation in the relevant programming acts.

The activity of setting up and defining new reforms has not slowed down the equally fundamental activity of timely verification of adopted acts.

In actual fact, the preliminary activity continued on the tariff preparations referring to the 2020 and 2021 business plan proposed by the entities with territorial competence (hereinafter referred to as “ETCs”, a fortunate intuition of which it will be necessary to consolidate in the medium term the structure and characteristics) and the relative approval resolutions were adopted.

With regard to the aforementioned years, approximately 6,300 and 5,700 tariff recommendations (referring to more than 80% of the national population) were submitted to the Authority by about 3,000 ETCs, respectively.

Pending an overall review of the sector's governance, with reference to which this Authority has shown great willingness to provide the necessary cooperation, an attempt has been made to bring the current complex architecture up to standard. With reference to 2020, the preparations approved by the Authority (also considering the decisions made in recent weeks) regard approximately 10.8 million inhabitants, for which an average increase of tariff income has been approved, which is very limited compared with 2019 and comes to 0.72%.

As far as 2021 is concerned, the approval activity by the Authority (which began in October, taking into account the multiple extensions of the deadline set by the reference state regulations and lastly set at 31 July 2021) involved just over 6.8 million inhabitants, with an average change in tariff revenues compared to the previous year of 1.6%, in any case well below the price limits set by the regulation.

Further information on the characteristics of the operators in the sector and the activities carried out was acquired through the declarations transmitted by the operators themselves in the context of their registration in the Authority Operators Registry.

As at 22 April 2022, 7,843 entities were registered in the Authority Operators Registry, with an increase over the previous year of more than 370 new entities registered, of which 7,608 were registered as operators in 86.5% of the cases accredited as Public Entities and 13.5% as operators with a different legal status.

Confirming the significant fragmentation of the service, an analysis of the number and type of activities carried out by all the registered operators also shows that, in the majority of cases (68.6%), the subjects are accredited for a single activity, followed by those accredited for two or more activities (29.2%), while a much smaller percentage (2.1%) is accredited for all the activities in the cycle.

Relevant are the results of the first data collection, carried out in 2021 on the treatment services of municipal and similar or related waste, as well as urban waste, to get a picture by macro-types of plants, giving priority to mechanical/mechanical biological treatment plants, incineration plants and landfills operational on 31 December 2019.

In relation to the formation of prices for the disposal of urban waste, it should be noted that for a large part of the national territory, tariffs are defined at the regional level or by the local governing body of the plant, although in the North of the country, tariffs are freely defined by the plant operator.

The price for the disposal declared by the panel operators is extremely variable from plant to plant and ranges from a minimum of 84 €/tonne to a maximum of 191 €/tonne; at the macro area level, an average conferral price is instead recorded of 105 €/tonne in the North and 113 €/tonne in the Centre and South.

Before the conclusions, I think it is important to recall some aspects that cut

across the different sectors and that characterise to a large extent ARERA's activity. Enforcement and customer protection also played an important role in 2021 in ensuring the implementation of regulation.

Checks and inspections carried out at regulated entities led to objections concerning rebates for energy-intensive companies and compliance with customer protection rules by energy and gas suppliers. In these activities, the cooperation with the Tax Police, which started back in 2003, proved to be positive and fruitful.

ARERA's sanctioning activity, for cases of violation of the regulation, was extended to environmental services, with the initiation and closure of the first proceedings on urban waste and district heating.

Due to the increase in the Authority's specific sectoral competences, a preliminary agreement was also signed in recent days with the Carabinieri Corps, with particular reference to activities in the waste sector, a sector for which the Corps operates with the Carabinieri Command for Environmental Protection and Ecological Transition.

Of the 90 concluded proceedings, 14 ended with the adoption also of prescriptive rulings and 84 with the ascertainment of responsibilities and the consequent imposition of sanctions for a total amount of approximately 10.5 million euros. In 2021, the process of reducing the duration of sanction proceedings, which had already been started in the previous year with good results, continued.

The judicial function of Euro-Union derivation, which concerns the settlement of disputes between operators and grid operators concerning access to and use of energy facilities, as well as the provision of the connection service for electricity production plants powered by renewable energy sources, has continued with extremely short procedural time-scales.

The Energy and Environment Consumer Help Desk strengthened its activities, which had continued effectively even during the most difficult lock-down periods. In 2021, more than 600,000 citizens, a number that has risen sharply since 2020, used the Help Desk call centre to obtain information on social energy and water bonuses, their rights, sectoral regulation, and dispute resolution tools; user satisfaction rates were very high.

The Conciliation Service continues to be a fundamental tool for alternative dispute resolution between customers/users of services regulated by ARERA and their suppliers.

The new platform of the Conciliation Service is now also accessible via App, for smartphones or tablets. Activities were extended to the district heating sector. Conciliations do not only achieve the albeit deserving goal of ensuring a quick and cost-free resolution of disputes of limited economic size, which would otherwise have no place to obtain justice, but also promote the adjustment of suppliers' behaviour to regulatory compliance.

The sharp rise in the average bill cost increases the importance of dispute resolution venues.

Just over 20,400 applications were received by the Conciliation Service, an increase of 10% compared to the previous year. The parties reached a dispute resolution agreement in 70% of the completed procedures, taking an average of 58 days, thus avoiding a costly recourse to the courts or even the abandonment of their claim.

The total benefit to customers, i.e. the economic benefit (e.g. refunds, recalculations, waiver of fees or interest, etc.) obtained through the agreements, amounts to more than 11 million euros. The customer satisfaction rate remains very high at 95%.

The compulsory nature of the attempt at conciliation in the services regulated by ARERA, through the Conciliation Service, joint conciliations and other available tools, has been progressively extended to water service operators, confirming itself as a fundamental tool for rebalancing relations between subjects with very different contractual and organisational strengths, such as customers and suppliers.

In this innovative framework, the role of customer associations is confirmed not only as a positive stimulus to ARERA's activities, but also as a specialist assistance for the benefit, among others, of those customers or users who have difficulties in using services remotely or little ability to analyse contractual or billing issues.

Authorities, Ladies and Gentlemen and Guests, as I draw the conclusions of this report of ours, let me express my heartfelt thanks to all those who have accompanied and accompany the work of ARERA, starting of course with the women and men of this institution whose dedication, passion and great helpfulness I witness on a daily basis.

I would like to take this opportunity to extend the thanks of the entire Board and the Offices to the Council of State and the Lombardy Regional Administrative Court, the State Legal Advisory Service, the Court of Auditors, the other independent Authorities for their continuous and effective cooperation and among them, in particular, the Italian Competition Authority with which we have added, to the work of the Working Party envisaged by our protocol, the experience of the first joint communication campaign to support citizens against the insistence of some call-centres that distorted telemarketing activities especially in the energy sectors.

Thanks are also due to the European Agency for the Cooperation of Energy Regulators, the National Board of Consumers and Service Users, the Energy and Environmental Services Fund, the GSE group, ENEA, the Regions and local autonomies, Anci (The National Association of Italian Municipalities) and the governing bodies of the districts.

Finally, to our Board of Auditors, to the Evaluation and Strategic Control Unit and - with special thanks - to the Tax Police, which, through the Special Goods and Services Unit, provides daily support to our activities.

I am certain that ARERA will also be able to set a benchmark in the near uncertain future.

The well-established concept of loyal institutional collaboration in this emergency phase leaves room for an even more intense desire to participate in the choices that the country will have to make.

I have already spent many words and important things are said in brief.

We are going through one of the most important crises of the last 50 years and History (with a capital 'H') teaches us that epochal crises have often led to great tragedies.

I would like to hope that today, in 2022, in an interconnected and complex world in which the consciences of individuals are so directly challenged, we will be able to belie Salvatore Quasimodo's words.

We were able to find vaccines in just a few months to recover hope in the midst of a terrible epidemic, we leave no stone unturned to recover it even in the face of 'that cold, tenacious echo' that has reached us, inside our days.

