

Avoiding the use of general bill charges for non-energy purposes, risk of impact on households and companies

ARERA notice to Government and Parliament on Articles 37 and 50 (Alitalia) of the 'Decreto Crescita' currently being converted

Milan, 29 May 2019 - Avoid resorting to measures that entail the direct transfer of resources derived from the electricity and gas tariff to the State Budget, in order to avoid negative repercussions on households and companies. In particular, as regards the rules laid down in the 'Decreto Crescita' (*Growth Decree*) to support the continuity of service of the Italian airline Alitalia, it would be appropriate for this to be amended in the course of the process of its conversion into law, so that it becomes a one-off measure with exclusive reference to the year 2019, introducing a period for repayment of the sums available through the accounts of the Fund for Energy and Environmental Services (CSEA).

These are the main elements of the notice relating to the use of the financial resources of the accounts managed by the CSEA - provided for by Decree Law n.34 - that ARERA has sent to Parliament and the Government today.

Articles 37 and 50 of the Decree envisage the possibility of using 650 million euros present in the accounts of the CSEA to provide financial coverage for the measure in favour of the continuity of service of the Italian airline Alitalia. In its notice, the Authority points out that, by reducing the financial resources of the CSEA, the provisions will compress its margins of flexibility that cater to the many needs for financial coverage of the general system costs, *including mitigation of the effects for the end customers*, in the case of strong and unexpected fluctuations in costs for the generation or supply of energy.

Payments that could generate negative repercussions on the entire system, which could be transformed into an undue increase in energy prices for households and companies if this were to result in an increase in the fees to cover general costs, with possible adverse effects on the overall economic cycle.

In this respect, the Authority notes that, in the exercise of its powers and in accordance with its institutional mandate, it will continue to determine the fees to cover general costs by pursuing, as a priority, the protection of end customers and the efficient functioning of the electricity sector.

The notice is published on the website www.arera.it



WHAT ARE THE CHARGES AND HOW MUCH ARE THEY?

With your electricity bills, in addition to *sales services* (raw material, marketing and sales), *network services* (transport, distribution, meter management) and *taxes*, you also pay some components to cover costs for **activities of general interest to the national electricity system decided by the Legislator**: these are the so-called *general system costs*, introduced over time by specific regulatory measures.

In recent years, the general system costs have represented a growing and increasingly significant share of end users' total annual electricity expenditure of end users to exceed 15.8 billion euros in total in 2016 to begin then their -10% descent to 14.2 billion in 2017.

In a typical household's bill (2700 annual kWh), in the 2nd quarter of 2018 it represented 24.8 % of expenditure (73.15% ASOS of which 2/3 are incentives for renewable sources and the rest for energy-intensive users).

General charges are applied as an increase to the distribution tariff (thus within network services) in a different way according to the type of user.



WHAT ARE THEY FOR

There are **two categories of charges:**

- **General charges related to the support for renewable energy and co-generation, also known as ASOS.**
- **Remaining general charges known as ARIM (Social bonus, research, energy efficiency, nuclear decommissioning, special railway tariff, etc.)**

The revenue collected from the application of each element of the components ASOS and ARIM is transferred to appropriate management accounts established through the Fund for Energy and Environmental Services; the exception to this is the ASOS component, of which over 90% is channelled directly **to the Energy Services Manager (GSE)** and the ASRIM element of the ARIM component, for which distributors pay the Fund only the difference between the revenue collected and costs incurred for the granting of the bonus (if the difference is negative, it is granted to the distributor).

The use and management of these funds are governed by the Authority which updates rates each quarter based on requirements, valid for the free and protected electricity and gas markets.



ALREADY 235 MILLION EUROS PER YEAR FOR NON-ENERGY PURPOSES

Financial laws of 2005 and 2006 provide for the transfer of 135 million a year to the State Budget.

Decree-law 151/2016 has provided for the transfer of 100 million a year to a current account of the Central State Treasury to finance the Ilva group.