

PRESS RELEASE

Water: tariff methodology approved for 2020-2023

Progressively reducing the South-North territorial gap, a ceiling for tariffs increase, environmental sustainability and focus on users consumption, strengthening controls on investments

Milan, 30th December 2019 - A **regulatory framework** setting national standards thus overcoming the *Water Service Divide*, making operating costs more **efficient**, promoting **environmental sustainability**, also through the **Plan for Strategic Works**, and giving incentives for installing **metering** devices, with the aim of raising citizens' awareness of their own habits. These are the principles underlying **the new Water Tariff Method**, approved by the Italian Regulatory Authority for Energy, Networks and Environment (ARERA) for the period 2020-2023, which also fully places the sector within the **circular economy**, rewarding **energy efficiency** and providing incentives for **saving and reusing water**.

Following extensive consultation with the interested parties - which, over the last three months, involved, in addition to the Environment Ministry, operators, Local Authorities, District Authorities, consortia, associations, monitoring centres and local municipalities - ARERA approved resolution no. 580/2019/R/IDR on December 27 setting the **Water Tariff Method (MTI-3)** for the third regulatory period, maintaining stability and certainty, and evolving regulation in line with the rules introduced in 2012.

It applies to all water service operators in Italy (whether they are listed companies or operators working on behalf of local municipalities). The autonomous provinces of Trento and Bolzano are excluded and special guidelines for implementing the method have been provided for special-status regions that have already passed legislation on this matter.

A **uniform but asymmetrical** tariff method, taking into consideration specific local requirements and the planning decisions of local government bodies ("EGA").

The four-year duration of the regulatory period has been confirmed, with an update being provided every two years, as well as the possibility for an anticipated review, if so requested by the EGA, certifying the *extraordinary* nature of events that may affect the economic-financial balance of management activities.

More inspection tools and control phases will ensure that potential **tariff increases will only be possible following actual investments or certified operational improvements**. In fact, a ceiling for tariffs increase has been confirmed, which, for the first time, is differentiated not only with regard to operating costs, but also on the basis of total costs per inhabitant served.

Environmental sustainability will be promoted through a **series of incentives**, ranging from electricity saving for both water supply and wastewater treatment, to reducing the use of plastic

in drinking water consumption, and from recovering energy and materials (such as through sludge treatment), to reusing purified water for agricultural and industrial purposes.

Incentives have also been provided for **measuring water consumption** – installing water meters also for single apartments in condominiums - and for additional **support to vulnerable users**, decided at local level, to be added to the national **Water Bonus** introduced in 2018.

The introduced **Plan for Strategic Works** is a tool for EGA aimed to focus the planned infrastructures dedicated to complex works with a useful life of over 20 years, which are considered a priority to ensure acceptable levels of service quality for end users and for the environmental protection. The Plan for Strategic Works includes the works planned between 2020 and 2027 and must indicate the time schedule of the various activities and any public funding that may be available. It is ARERA's belief that a better ability to plan and coordinate available funding will form a solid basis for the future availability of water resources, also in relation to climate change.

The introduction of the "**Convergence regulatory scheme**" is of particular importance, as it aims to reduce the difference in service standards across the various areas of the country. This new framework will allow **less performing operators that are late in implementing national regulation** to apply for a simplified regulatory system, for a limited period of time and under specific conditions.

*"The Regulator's board - stated the president, **Stefano Besseghini** - has repeatedly underlined, in both its Strategic Framework and Annual Report, the importance of a long-term approach that can continuously guarantee sustainability and stability for the water system, aiming to reduce the water service divide. The new Convergence regulatory scheme and the Plan for Strategic Works, together with the measures to strengthen efficiency control systems and incentives for quality management, aim to create a homogeneous service throughout Italy, one in which water is truly a common good that is accessible and available to all, and not only in some areas of the country".*

Resolution no. **580/2019/R/IDR** is published on the website www.arera.it.