

# TECHNICAL SHEET

**REFORMED STANDARD OFFER REGIME AND *TUTELA SIMILE* STANDARD OFFER (SIMILAR THAT OF THE FREE MARKET):  
REFORM OF STANDARD OFFER REGIME DELIVERY CONDITIONS  
AND DEFINITION OF PCR AND PCV PRICE COMPONENTS  
633/2016/R/eel (\*)**

With Resolution 633/2016/R/eel, the Regulatory Authority for Electricity, Gas and Water completes the reform of the price protection market mechanisms for domestic and non-domestic electricity users, changing standard offer regime delivery conditions (reformed standard offer regime), completing the definition of the fees pertaining to the *Tutela SIMILE* standard offer and introducing special communication requirements for the operators applying the standard offer regime.

As for the **economic conditions of the reformed standard offer regime**, the Resolution provides the following:

- ✓ the PED price component, which covers electricity supply costs, will still be updated quarterly, but it will be calculated differently, based on the average quarterly (rather than annual) estimate of the costs;
- ✓ the estimate of electricity purchase costs will refer exclusively to the price that forms on the electricity spot market, i.e. the Day-Ahead Market (MGP) and the Daily Products Market (MPEG);
- ✓ a method to calculate the amounts to be recovered will be used in line with that in force (recovery of variances between the costs and revenues of standard offer regime operators in the six months after the update).

As for the elements that contribute to the estimate of the supply costs, the Resolution provides the following:

- ✓ the price component covering the financial costs associated with the sale of electricity, which helps to determine the PE element of the PED, will be 0.0148 c€/kWh;
- ✓ the price component covering Single Buyer (AU) operation costs for the purchase and sale of electricity, which helps to determine the PE element of the PED, will be 0.0194 c€/kWh;
- ✓ the price component covering imbalance costs, which to determine the PE element of the PED, will be 0.0447 c€/kWh;
- ✓ the price component for the aggregation of the measurements, which helps to determine the PE element of the PED, will be 0.0044 c€/kWh;

These values will not change until 30 June 2018, except for the component covering the financial costs associated with the purchase and sale of electricity, which will be reviewed at the end of 2017.

Next, the Resolution sets to 0.180 c€/kWh the value of the PPE price component, covering the equalization system imbalances in supply costs, to be applied throughout the year 2017.

In addition, the PCV price component, covering electricity marketing costs, is updated for the period 1 January 2017 - 30 June 2018, setting its value to 57.7884 €/POD/year for domestic customers, 118.3777 €/POD/year for other customers and 0.317 c€/kWh for public lighting. In line with what was done in the past, these values are determined so as to take account of the efficient cost level of marketing. The determinations were made with respect to a significant sample of free market suppliers:

- ✓ for the part dealing with operating costs other than those related to payment default, based on the information that may be inferred from the separate annual accounts for the year 2015;
- ✓ for the part dealing with costs of payment default, based on the unpaid ratio for 24 months, i.e. the rate of uncollected bills after 24 months from their issue;
- ✓ for the remuneration of the net invested capital, in a parametric way from the number of overdraft days of the seller (55 days) and providing for the quantification of IRAP (regional tax on productive activities) coverage.

Lastly, as for the contractual terms of the standard offer regime, Resolution 633/2016/R/eel cancels the current option of paying the service activation security deposit by instalments, providing that the customer shall pay the entire security deposit, where required, upon activation of the service. As for *Tutela SIMILE* standard offer, the Resolution defines the calculation method of the PED price component and the values of the PCV and PPE price components for the standard offer regime, thereby allowing suppliers wishing to participate in the *Tutela SIMILE* admission procedure to have the information they need to define the value of the one-off bonus for customers who accept the offer.

In addition, the Resolution defines the PCR price component, covering the risks involved in wholesale electricity supply procedures, taking into account:

- ✓ *Tutela SIMILE* standard offer customers' withdrawal profile;
- ✓ potential mismatches between revenues from PED price component and the underlying supply costs.

The value of the PCR price component is set to 0.180 c€/kWh, equal to the PPE price component. Setting the same value for the PCR price component, charged exclusively to *Tutela SIMILE* customers, and the PPE price component, charged exclusively to standard offer regime customers, allows for a quick comparison of the end customer between the standard offer regime expense and the *Tutela SIMILE* expense.

Resolution 633/2016/R/eel also defines (in the bill and on its website) special reporting requirements for the current operators of the additional safeguards in order to make users aware of the *Tutela SIMILE* standard offer regime. As for transferring to *Tutela SIMILE*, the Resolution provides that the customer entitled to have standard offer regime shall have the option to request it straight from a *Tutela SIMILE* supplier rather than the actual supplier.

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