



Reference context

PERFORMANCE OF THE FINANCIAL MARKETS AND THE ACEA STOCK

In 2024, the **world economy** showed significant resistance, with GDP expected to grow by about 1% in the Eurozone and about 3% in the US, despite the fact that – even after the rate cuts implemented in June by the ECB and in September by the FED – the monetary policies of the main central banks remain broadly restrictive.

However, due precisely to the economy's continued resistance and the re-emergence of tensions surrounding energy commodities, inflation – and core inflation in particular – remains generally above the targets set by the central banks (3.2% for the US core CPI in December, and 2.7% for the Eurozone), despite decelerating compared to 2023, thus reducing the scope for monetary easing in 2025.

As a result of the resilience of the economy, the rise in energy commodity prices towards the end of the year, and the outcome of the US presidential elections, with Trump's victory opening the door to more expansionary fiscal policies, **bond yields** showed a general increase during 2024, especially US yields (10y Treasury +69 bps, in the area of 4.6%). On the other hand, the less dynamic economy and the prospect of the introduction by the new US administration of customs duties resulted in a smaller increase for German yields (+34 bps for the 10y Bund, at around 2.4%). Italian yields, on the other hand, closed with a generalised decline (10y BTP -17 bps, at 3.5%), benefiting from a significant contraction in peripheral spreads induced both by the aforementioned resilience of the economy and by the rate cuts initiated in June by the ECB.

In this context, characterised by expectations of a “soft landing” and supported by the monetary easing initiated by the main central banks, **global equities** have reached all-time highs. When adjusted for the payment and reinvestment of dividends (Total Shareholder Return), the Euro Stoxx increased by 10.2%, compared to the +25.0% recorded by the S&P 500, with the US benchmark benefiting from exposure to certain stocks in the technology sec-

tor (Nvidia, in particular, almost tripled in value), driven by developments related to artificial intelligence.

The **sector dynamics** of Eurozone stock indices reflected the remarkable resilience of the economy, in a context of bond yields that remain at their highest levels in over 10 years. Consequently, the banking segment was one of the best performers with a rise of 32%, while bond-proxy and defensive sectors generally ranked on the opposite side. Specifically, the utilities sector showed a rise of only 2.2%, impacted not only by the evolution of bond yields, but also by the changed outlook for the development of renewables in the US following Trump's election.

In terms of the **national stock indices**, on the other hand, the Spanish Ibex 35 and the FTSE MIB outperformed the general Eurozone index with rises of 19.4% and 18.9% respectively, mainly driven by exposure to the banking sector. Meanwhile, the French CAC 40 (unchanged) was affected by doubts connected to the fragmented political framework that emerged following the French legislative elections at the end of June/beginning of July.

Acea significantly outperformed the Eurozone sector index and the FTSE MIB, with a **rise of 42.9%**, mainly driven by the update to the Business Plan, the improved outlook issued by Fitch, which went from “negative” to “stable”, and solid performance in the nine months, with improvements to the annual EBITDA guidance and D/EBITDA ratio.

The closing price of Acea as at 30 December 2024 (last stock exchange session of the year) was €18.68, corresponding to a market capitalisation of €3,979 million. The daily closing prices fluctuated between a minimum of €13.55 on 26 February and a maximum of €18.92 on 16 December, the latter setting a new record high for the ex-dividend and reinvestment.

On the **currency** side, the EUR/USD fell by 6%, the decline occurring almost entirely in 4Q2024 as a result of Trump's election, with the US likely to adopt expansionary fiscal policies and tariffs against Eurozone imports.



(Source: Bloomberg, rebased to 100 at 27/12/2024)
Changes adjusted for dividend detachment (Total Shareholder Return)

— ACEA — FTSE MIB

ENERGY MARKET

Relative to the domestic electricity balance, electricity demand in 2024 totalled 312 TWh, (source: Terna), up by +2% with respect to 2023. However, by removing the contribution of the extra day in February 2024, the increase falls to +1.7%.

Energy production, net of self-consumption and consumption by pumping (30.9 GWh, +6.2%) came to 230.1 TWh, up by +2% with respect to 2023, and covered 74% of demand, while imports covered 16% (51 TWh, -0.6%). Despite the increase in demand, thermoelectric production (123.6 GWh, -7.6%) was partly impacted by renewables compared to 2023, especially the strong contribution of hydroelectric production (51.6 TWh, +31.2%) in the first half of the year in particular, with the highest production volumes seen in the last ten years. Photovoltaic production also increased compared to 2023 (27.6 TWh, +16.1%), while wind (22 TWh) and geothermal (5.3 GWh) production both decreased compared to the previous year (-5.8% and -1.5% respectively).

The National Single Price (NSP) in 2024 saw an average value of €108.52/MWh, down by -15% compared to 2023, with only the fourth quarter of 2024 showing an average value of €127.51/MWh, +3% compared to the fourth quarter of 2023, and +7% with respect to the third quarter of 2024. In the last quarter, in fact, electricity prices absorbed a significant rise in gas prices, in parallel with increased reliance on more expensive thermoelectric production, in order to cope with an increase in demand due to the weather and a partial decline in renewable energy (especially wind power).

Other European stock markets also recorded significant annual decreases compared to 2023, with France and Scandinavia recording the greatest reduction (-40% and -36% respectively), followed by Spain (-28%) and Germany (-18%).

With regards to the national balance of natural gas, the total withdrawn in 2024 was 61.7 billion scm (source: Snam Rete Gas), down by 2% compared to 2023. Excluding the distorting effect of the extra day in February 2024, the gap increases to -2.3%.

In particular, distribution, including residential and SME, recorded a consumption of 27.2 billion scm (+2.3% compared to one year ago), the thermoelectric segment requested 20.9 billion scm of gas (-0.8%), while demand for gas in the industrial segment came to 11.6 billion scm (+1.5%).

Storage remained close to the maximum levels of the previous year (79% as at 31 December 2024 compared with 81% as at 31 December 2023), with slightly higher delivery volumes between the first and last quarter (8.5 smc were delivered, +6.5%) and an injection in line with 2023 (8.3 smc were injected, -0.3%).

Parallel to demand trends, there was a downwards trend across all supply sources: imports from gas pipelines (44 billion smc, -0.7%), LNG imports (14.6 billion smc, -9.9%) and domestic production (2.8 billion smc, -1.5%).

European gas prices rose significantly in the fourth quarter for both geopolitical and non-geopolitical reasons. While tensions in the Middle East calmed somewhat, there was a renewed focus on Ukraine, with a series of military escalations between Russia and Ukraine, coupled with the increasingly likely prospect of a definitive halt after 50 years to the passage of Russian gas through Ukraine, which effectively came to pass at the end of 2024.

Although this does not pose an imminent risk to the security of the European gas system, the balance between supply and demand has become even more fragile, forcing Europe to increase its reliance on LNG imports and, at the same time, tackle possible increases in demand, as already seen in November and December, with the excessively cold temperatures of the past two years leading to a large-scale depletion of European stockpiles (-14% as at 31 December 2024 compared to a year ago).

The average value of the TTF in 2024 was 36.32 c€/smc (-16% compared to 2023), with only the fourth quarter recording an average of 45.33 c€/smc, up by +6% compared to the fourth quarter of 2023 and up +21% compared to the third quarter of 2024. The PSV in 2024 recorded an average value of 38.46 c€/smc (-14% compared to the previous year) and 47.11 c€/smc only in the fourth quarter of 2024 (+9% compared to the fourth quarter of 2023 and +16% compared to the third quarter of 2023).

The PSV-TTF differential in 2024 recorded an average of +2.14 c€/scm, trending up by +0.4 c€/scm compared to the average value in 2023.

TARIFFS FOR TRANSPORT SERVICES

2024 was the first year of the new regulatory period (ROSS), lasting eight years (2024-2031) divided into two sub-periods.

The regulations are included in four Integrated Texts: “Integrated Text of provisions of the Authority for providing electricity transmission and distribution services (TIT)”, Annex A to Resolution 616/2023/R/eel, the “Integrated Text of provisions of the Authority for providing the electricity metering service (TIME)”; Annex B to Resolution 616/2023/R/eel, the “Integrated Text on provisions of the Authority on the economic conditions for providing connection services (TIC)”, Annex C to Resolution 616/2023/R/eel, published on 29 December 2023, and the “Integrated Text on regulations for spending and service objectives (ROSS) for regulated infrastructure services in the electricity and gas sectors for the 2024-2031 period (TIROSS)”, annex to Resolution 163/2023/R/com published on 20 April 2023. For the distribution service, ARERA confirmed unbundling of the tariff applied to end customers (the so-called compulsory tariff) from the reference tariff for determination of the constraint on revenue permitted to each company (the reference tariff).

On 7 May 2024, ARERA communicated via certified email the provisional reference tariff for the electricity distribution and metering services for the year 2024, subsequently approved with Resolution 206/2024/R/eel of 28 May 2024.

The compulsory tariffs for the year 2025 were published with Resolution 585/2024/R/eel for the electricity distribution and metering services for domestic and non-domestic customers.

In the new regulatory period (2024-2027), the ROSS-base criteria apply with reference to the distribution and metering activities, except for the recognition of the capital costs of the 2G smart metering systems, which will continue to be recognised as per the provisions of the PMS2.

The cost recognised for tariff purposes includes:

- (i) the remuneration and amortisation of investments made up to the cut-off date (year 2023);
- (ii) the fast money portion (opex);
- (iii) the slow money portion (RAB) on which the remuneration of the invested capital and amortisation are calculated;



- (iv) the incompressible costs recognised “on top” (such as tax expenses);
- (v) greater efficiency recoveries achieved in the previous regulatory period were left to the distribution companies in the four subsequent years, with gradually declining rates (50% the first year, 37.5% the second, 25% the third and 12.5% the fourth).
- (vi) efficiency recoveries achieved in the new regulatory period (determined by the comparison between the baseline of operating costs and the effective operating costs of each year). Efficiencies in the new regulatory period are left to the DSO based on the incentive scheme selected (SBP low potential or SAP high potential). The incentive is selected at the start of the regulatory period and remains valid for that period.

Total costs incurred by the company are divided between the Slow money portion and the Fast money portion based on a capitalisation rate defined by ARERA by company.

Based on the ROSS provisions, ARERA recognises in year t the remuneration of invested capital relating to the assets that went into operation in year $t-1$ and the related portion of amortisation. It should be noted that the investments made until the year 2023 will continue to be recognised in continuation with the criteria, so the amortisation and depreciation of such assets will continue to be recognised with a lag of two years.

In the new sub-period, ARERA established that the reference tariffs are defined jointly for the distribution and metering services, are expressed in euro per withdrawal point served, with no differentiation for contract types.

ARERA published Resolution 513/2024/R/com, thus providing for the updating of the relevant parameters used to determine the rate of return on capital subject to review for the sub-period 2025-2027, pursuant to the TIWACC (Appendix A of Resolution 614/2021/R/com), and of the beta asset parameter, with reference to the electricity and gas infrastructure services, establishing a rate of return on invested capital of 5.6% for electricity distribution and metering services for 2025.

The flat rate connection contributions of each company and the contributions collected by EU bodies (such as the NRRP contributions) will continue to be deducted directly from the invested capital of the company, considering them as equal to MV/LV assets. However, with Resolution 617/2023/R/eel of 27 December 2023, ARERA changed the incentives for obtaining public contributions. The bonus is equal to 10% (instead of the previous 8.6%) of the public contributions collected during the previous year and is ascertained and determined annually by the Authority by 31 October of each year, from 2025 to 2028. Distribution companies must provide the list of public contributions collected by 31 March of the year following the year to which the contribution refers. Bonuses are paid in three equal amounts, unless otherwise ordered and justified by the Authority at the time the economic items are determined, for reasons of liquidity or the overall impact on the tariff. On 29 November 2023, ARERA requested the information needed to determine the capitalisation rate, the baseline for 2024 operating costs, presentation of the application for the Z-factor and the incentive selected (SBP v.s SAP). On 22 December 2023, in a certified email, areti sent the Authority the requested information, deciding not to present the application to activate the Z-factor, as incremental costs associated with the energy transition were not planned for 2024, and opting for the low-potential scheme (x-factor of zero and efficiencies retained at 100% in the first year and 50% in the three subsequent years). The application for the Z-factor is valid for one year, is requested on an estimate basis and is subject to final verification. The possibility of requesting recognition

of the Y-factor parameter for unforeseeable and exceptional events and/or changes in the regulatory framework is also envisaged, and can be activated ex post for changes equal to at least 0.5% of the fast money quota for the year of reference.

The distribution and metering reference tariff is updated on the basis of total effective expenditure of each distributor (operating expenditure and capital expenditure). The updating criterion envisages that:

- the baseline for operating costs (used as a comparison with the effective costs to determine the efficiency quota achieved in the year) is updated annually on the basis of the average annual rate of change in the consumer prices for households of manual workers and office workers from year $t-1$ to year t reported by ISTAT, using ROSS criteria. The baseline for operating costs in 2024 is equal to the 2022 effective operating costs (COE), appropriately revalued for 2023 and 2024, based on the inflation rates published in Resolution 616/2023, equal to 6% and 1.9% respectively.
- for the purpose of revaluing the net fixed assets related to assets in operation, investments in progress, and the net value of contributions, the rate of change of the deflator is considered, calculated considering the change in the average of the four quarters of year $t-1$ with respect to the four quarters of year $t-2$.

As regards marketing, ARERA confirmed a single reference tariff that reflects both the costs for managing the network service and marketing costs (single all-inclusive company tariff for the distribution and marketing service).

With regard to the transmission tariff, the ARERA confirmed the introduction of a binomial tariff (capacity and consumption) for high voltage customers, and the cost tariff structure for the transmission service to Terna (CTR), also introducing a binomial price. Given the two tariffs, the equalisation mechanism has been confirmed.

The general equalisation mechanisms for distribution and metering costs and revenue for the regulatory cycle in force are:

- equalisation of the revenues from the distribution and metering service;
- equalisation of the transmission costs;
- equalisation of the value of the difference between effective losses and standard losses.

The purpose of equalising the revenues of the distribution service is to equalise the revenues deriving from the comparison between the revenues billed to users through the compulsory tariff and the distributor's allowed revenues, calculated through the company's tariff of reference. For the distributor companies subject to ROSS criteria, advance payment mechanisms are envisaged in relation to the equalisation of the distribution service revenues and in relation to the equalisation of the transmission costs.

Participation in the advance payment mechanism for the equalisation of the distribution service revenues is optional, according to methods defined by CSEA. The advances, with reference to the tariff for year t , are set at 90% of the value of the amount of the equalisation balance estimated on the basis of the provisional reference tariff for year t and are disbursed in three bimonthly instalments starting from the end of June of year t . The balance is expected 60 days from the date of publication of the definitive reference tariffs.

With Resolution 616/2023, as already defined in the previous period, ARERA confirmed that the equalisation of the revenues from distribution would be reduced by an amount equal to 50% of the net revenues from the use of the electrical infrastructure for pur-

poses additional to the electric service, recorded at the end of year n-2 should the aforementioned net revenue exceed 0.5% of total recognised revenue.

The equalisation of the transmission costs has the objective of passing the distributor in terms of the cost recognised to Terna for the transmission service (CTR) with what was paid by the end customer based on the compulsory transmission tariff (TRAS). Participation in the advance payment mechanism for the costs of the transmission service is mandatory. With reference to the tariff for year t, the advances are set at 80% of the value of the equalisation amount defined in relation to the tariff for year t-1 and are disbursed in year t in six bimonthly instalments. The balance is expected by 31 December of year t+1.

NETWORK LOSSES

The Authority published resolution 117/2022/R/eel, which fine-tuned the regulations for adjusting electricity losses on transmission and distribution grids for 2022-2023, confirming the desire anticipated in DCO 602/2021/R/eel of establishing a process to improve the efficiency of commercial losses but, however, making them more precautionary, with a 4% reduction for 2022 and 2023, bringing the percentages to:

- 1.77% in the Centre zone for 2022;
- 1.72% in the Centre zone for 2023.

A price control mechanism is introduced; this is to be used to determine the loss delta in each of the two years and, for only 2022, it provides for a guarantee clause to protect distributor companies which recognises an equalisation equal to the maximum between zero and the result that would be obtained using the conventional percentage loss factors applied for the three years 2019-2021, if the total economic result equal to the difference between the equalisation balance and the revenues obtained from the tariff regulation of the reactive energy pursuant to paragraph 24.2 of the TIT is positive (net debt position).

The Authority also extends the mechanism for recognising “non-recoverable” fraudulent withdrawals also to the years 2022 and 2023. The conventional percentage standard loss factor to be applied to the electricity withdrawn at the withdrawal points on the low voltage grids is finally set, starting from 1 January 2023, at 10%. With resolution 336/2023/R/eel, the Authority began the procedure to reform the electricity and network loss settlement regulations, followed by the consultation document 377/2023/R/eel containing the Authority’s guidelines on moving beyond the load profiling regulations and “residual” electricity supply methods, with the deadline for submitting comments set for 25 September 2023.

The consultation document outlines the following scenario:

- by 31 July 2024, the regulatory framework for the new settlement and network loss rules will be established, pursuing the following objectives:
 - going beyond the current load profiling methods and redefining the methods to determine and obtain “residual” energy;
 - unifying metering data functional to the settlement and regulating of network losses and simplifying disclosure obligations;
 - revising the current loss equalisation mechanism with a view to defining regulations which better adhere to the actual performance of individual companies;
 - prompt determination and assessment of physical and economic items for dispatching, with a consequent reduction in financial charges borne by various system actors and guarantees.

- by 31 December 2025, the schedule and methods for integrating that envisaged in the new regulations with the IWS are expected to be determined.

The Authority published resolution 584/2023, which extended to 2024 the regulations in force in 2023, in particular:

- the rules on equalisation of network losses envisaged pursuant to the TIV for the 2022-2023 two-year period;
- the conventional loss factors for equalisation purposes established in the TIV for 2023;
- the conventional loss factors applied for 2023 to electricity issued and withdrawn pursuant to the TIS.

With specific reference to marginal situations, the mechanism for restoration of such losses was confirmed for 2024, with the application to be presented in May 2025 with reference to 2022-2024. The Authority published resolution 535/24 which amends/supplements the current regulations on load profiling and network losses to guarantee the correct application of existing regulations in 2025, pending the application of the new guidelines in 2026.

CONTINUITY OF THE SERVICE

With the Integrated Text on output-based regulation in force from 1 January 2020, the Authority introduced the possibility for the DSOs to present regulatory experiments to improve the service quality in particularly critical contexts. A specific feature of these experiments is the suspension of the penalties for the experimental period and their non-retroactive application if the target levels for the indicators of number and duration of interruptions without notice, set by the current regulations, are achieved.

In this context, areti presented its proposal, outlining a process for improving the technical quality indicators different from that defined by the ordinary regulation. This proposal was approved by the Authority with Determination 20/2020 of 20 November 2020. The measure postpones to 2024 the calculation of the bonuses and penalties for the entire four-year period 2020-2023 and provides for the activation of an additional bonus mechanism if the target proposed at 2023 is achieved and the effective annual levels achieved are better than those proposed in the experimentation. The total bonus obtained cannot be more than that achievable in the ordinary regulation and in the case that the improvement commitment indicated is not achieved, areti will have to pay any penalties it would have received during the four year period in the absence of the derogation.

The Authority published resolution 485/2023, which defined the bonuses and penalties related to service continuity for 2022. Areti does not appear on the list since it is part of a regulatory trial and was therefore assessed in 2024 at the end of the 2020-2023 four-year trial period.

The Authority published resolution 588/2024, which determines the items relative to regulatory trials on the continuity of the energy distribution service for the 2020-2023 period, according to which as at 31 December 2024, Areti was liable to pay a fine of €6.4 million for failure to reach the targeted levels. This fine was paid in full in January 2025.

The Authority published determination 2/2024 – DINE, which approved the technical instructions for recording and documenting interruptions to the electricity distribution service for the 2024-2027 regulatory period.



DEVELOPMENT AND RESILIENCE PLAN

In the Development Plan, distributors are held to include a specific section containing the resilience plan, which includes network projects intended to increase the resilience of the electrical system with respect to severe and persistent weather events.

The Resilience Plan 2020-2022 was approved with resolution 500/2020/R/eel, including the final figures for projects completed in 2019: for these projects, with resolution 563/2020/R/eel the Company was recognised a bonus of around €3.1 million.

With resolution 536/2021 the Authority approved the 2021-2023 plan and with resolution 537/2021/R/EEL determined the bonuses and penalties relating to the electricity distribution network resilience increase interventions concluded in 2020 (for areti, the 2020 resilience bonus adds up to €5.3 million, which CSEA paid to the Company at the end of 2021).

The Authority has published 121/2022/R/eel which calls for a new process to prepare development plans. In particular, for 2022 it suspended the 30 June deadline set for the preparation of distribution network development plans, while awaiting subsequent definition of more suitable scheduling, to take into account the new provisions introduced in article 23, paragraph 5 of Legislative Decree 210/21 and to allow for plan preparation to duly take into account the scenario information made available by Snam and Terna in July 2022. The deadline of 30 June was confirmed for sending the updated Resilience Plan pursuant to article 78.3 of the TIQF.

The Authority published resolution 722/2022/R/eel in which it established bonuses relative to projects to improve the resilience of the electricity distribution network completed in 2021, which for Areti amounted to €8,588,073.13 (received by Areti on 13/01/2023).

Distributors with at least 100,000 withdrawal points present the Development Plan for their network annually by 30 June.

After the suspension of this requirement for 2022, the Authority developed the idea of an evolution in the content of the Development Plans, also implementing the EU guidelines on promoting renewable energy. Therefore, it published consultation document 173/2023/R/eel which outlines guidelines to identify performance priorities and indicators for more selective development of investments in electricity distribution networks and for the progressive introduction of provisions for the consultation and preparation of distribution network development plans.

With DCO 173/2023, postponing the due date for the presentation of the Development Plans, the Authority proposed new content and methodology for the preparation of the 2023 Plans to the distributors.

Subsequently, the Authority published resolution 296/2023 in which it defined the schedule for the preparation and public consultation of distribution network development plans, as well as introducing certain initial requirements for preparation of the same, while awaiting additional provisions. In particular, distributors with more than 100,000 end customers must present the Authority with a 2023 development plan by 30 September 2023, simultaneously beginning a public consultation period of at least 30 days, as areti did on 2/9/2023, publishing the document on its website. Following the consultation, each distribution company will present its development plan to the Authority by 30 November 2023, possibly updated based on that resulting from the consultation, together with the comments received and their responses, indicating any changes made. Starting in 2025, each distribution company with at least 100,000 end customers will present the outline of their Development Plan to the Authority by 31 March of each odd year and, at the same time, will launch a public consultation on the outline

of their Development Plan, lasting at least 42 days. Following the consultation, the company will present its Development Plan to the Authority by 30 June of each odd year, possibly updated based on that resulting from the consultation, together with the comments received and their responses, indicating any changes made.

The Authority published resolution 422/2023, which establishes the bonuses for projects to improve the resilience of the electricity distribution network completed in 2022. The net amount of the resilience bonus for 2022, totalling €5,635,481.55, was disbursed by CSEA to Areti on 13 November 2023.

With resolution 617/2023, which followed DCO 173/2023, the Authority adopted the integrated text of the output-based regulations of the electricity distribution service 2024-2027 (TIQD) and the regulations on commercial quality of the distribution and metering services (TIQC 2024), also establishing the new bonus mechanism for benefits associated with network development measures, which provides for:

- new bonus-only incentive mechanism provides that, for 2024, at the request of the distributor company to be submitted by 28 February 2024, with a limit on the amount of eligible investments equal to 15% of the investment spending expected for 2024 in the development plan for 2023 (measures already included in the resilience bonus mechanism are excluded from this mechanism); the envisaged bonus is equal to two years' expected (gross) benefit, for the 2025-2027 period; for 2025, at the request of the distributor company to be submitted by 30 June 2025, with any limits on expected eligible investment spending yet to be set;
- final calculations by 31 March of each year starting from 2026 with reference to 31 December of the previous year (in odd years, the reporting is carried out during transmission of the draft development plan preceding the related public consultation) with determination of the bonuses by the Authority by 30 September, possibly in several annual instalments up to a maximum of three instalments;
- extension of the benefit categories eligible for bonuses, with several first-time application provisions, without prejudice to further changes in the features of the future incentive mechanism, or methodological changes pending discussions with the distributor companies.

The Authority, following up on consultation 239/2024/R/com concerning the guidelines on minimum requirements for preparing development plans for the transmission, transport and distribution of electricity and for defining hypothetical scenarios for development plans of distribution networks, published resolution 392/2024/R/eel on the Provisions on scenarios for the development plans of energy networks. The most significant changes introduced include: a new deadline for scenario documents; a new activity to collect information from current and potential network users; a process for a very long-term discussion on the evolution of the energy system.

“2G DIGITAL METER” PROJECT

With reference to the PMS2 presented by Areti, ARERA approved Resolution 293/2020/R/eel, establishing the date of commencement of the PMS2 as 1 January 2020 and recognising the investments related to Areti's 2G smart metering system to the specific capital cost recognition scheme, starting from the same date. Given the recent global context, characterised by concerns linked to the pandemic and the war in Ukraine, it is not possible to guarantee the continuity of supply necessary to meet the forecasts set out in the

plan. Consequently, with the certified email dated 15 June 2022, Areti informed the Authority of concerns regarding the shortage of 2G meters, which was determining a slowdown in the implementation of the large-scale replacement plan, as well as the lack of a clear idea of the number of 2G meters that the supplier would be able to guarantee and a shortage of information required to update to PMS2 pursuant to art. 6.2 of resolution 306/2019.

With **resolution 601/2022/R/eel**, the Authority introduced transitional amendments to the provisions on the commissioning of LV 2G electricity meters set out in resolution 306/2019/R/EEL, as well as provisions regarding the information to end customers set out in resolution 105/2021/R/eel. The most pertinent aspects of the provision regard the suspension for 2022 of the penalties for delays with respect to the forecasts for implementing the service and non-compliance with expected performance levels, and the freezing of the effects deriving from the planned and actual numbers of 2G metres for 2022, from the calculation of the percentage progress of the plan, for the purpose of the cumulative progress checks under PMS2 in subsequent years.

Finally, the Authority published **resolution 724/22** which updates the 2G Directives for the 2023-2025 three-year period, providing for the extension to four years of the performance monitoring period of 2G smart metering systems, with penalties applicable only from 1 January of the fifth year of the PMS2. The same provision also introduced a bonus mechanism in cases where the cumulative number of 2G meters to replace 1G meters exceeds 105%, to be applied if the acceleration is achieved through the use of public subsidies of any kind.

In March 2023, Areti received the Preliminary Findings Report from the Authority, which concerns the sum of capital expenditure in 2021 for investments in 2G smart metering systems (central systems and concentrator + metering systems). These values are used to determine the final reference tariff for 2022.

TRANSMISSION, DISTRIBUTION AND DISPATCHING OF ELECTRICITY WITHDRAWN FOR SUBSEQUENT FEEDING INTO THE GRID

The Authority published Resolution 109/2021/R/eel - which follows up on Consultation Document 345/2019 - in which it defines the procedures for providing the transmission, distribution and dispatching service in the case of electricity withdrawn for consumption relating to ancillary generation services, and in the case of electricity withdrawn and subsequently fed back into the grid from the storage system. The priority objective of the resolution is to standardise regulations for the transmission, distribution dispatching services for electricity withdrawn for subsequent feeding back into the grid and extend the aforementioned regulation to more complex cases, where the withdrawal of electricity via the same connection point is not only intended for storage systems and/or ancillary generation services, but also additional loads separate to these. The resolution stipulated that as from 1 January 2022 on request of the producer, electricity withdrawn for the subsequent feeding into the grid will be handled as negative electricity fed in for the purposes of accessing transport, distribution and dispatching services.

ARERA published Resolution 560/2021/R/EEL with which it postponed to 1 January 2023, rather than 1 January 2022, application

of the rules on transmission, distribution and dispatching services for electrochemical storage pursuant to Resolution 109/2021/R/EEL, after presentation of the relative application by the producer or entity requesting connection to the network operator, based on the model established in resolution DMEA 5/2022.

The Authority published resolution 472/22, supplementing the regulation introduced by resolution 109/21 on auxiliary services and storage systems, defining its guidelines on:

- determining penalties in cases in which 110% of the power declared in the certified appraisal for auxiliary services and/or storage systems is exceeded;
- redetermining the duration of the time interval to quantify electricity withdrawn, functional to allowing subsequent issuing to the network using a division ratio;
- defining the procedure to replace metering equipment for hourly registration of electricity metering data.

The Authority published resolution **142/2023/R/eel** which updates the TIS and TIME so that vendors, on one hand, and distributing companies and Terna, on the other, can properly value electricity withdrawn from system configurations that access the new regulations introduced with resolution 109/2021/R/eel. To that end, with this resolution the Authority governed methods used to send data about electricity withdrawn to power auxiliary generation services and electricity withdrawn and subsequently re-issued to the network by storage systems and net energy withdrawn.

With resolution **596/2023/R/eel**, considering the critical issues detected, in order to complete the procedure for accessing the regulations envisaged by resolution 109/2021/R/eel (with particular reference to the activities associated with GAUDÌ registration and authorisation of production units (UP) and/or auxiliary service production units (UPSA)), the Authority established:

- a. the extension by one year (until the end of 2024) of the regulations currently envisaged by Article 16 of the TIT 2020-2023;
- b. the creation at Terna of a technical panel, convened at least monthly, attended by interested stakeholders, in order to discuss critical operating issues;
- c. monthly reports sent by Terna to ARERA on the proceedings of the technical panel and the solutions identified, in addition to the update status of the GAUDÌ system and, at aggregate level, the progress status of cases presented by the operators.

With resolution 585/2024/R/eel the Authority supplemented and amended resolution 109/2021, better defining the procedures for providing the transmission, distribution and dispatching service in the case of electricity withdrawn for consumption relating to ancillary generation services, and in the case of electricity withdrawn and subsequently fed back into the grid from the storage system.

COLLECTIVE SELF-CONSUMPTION AND RENEWABLE ENERGY COMMUNITIES

With the resolution of 30 January 2024 the Authority published a provision amending the Consolidated Widespread Self-Consumption Act (TIAD) and approving the Technical Rules for the widespread self-consumption service prepared by Gestore dei Servizi Energetici S.p.A (GSE).



ELECTRIC MOBILITY

With resolution **541/2020/R/eel**, supplemented by Resolution 160/2021/R/eel, the Authority launched national experimentation destined for LV customers, aimed at facilitating the installation of e-car rechargers in private areas.

Acceptance is voluntary and free and access is subordinated to observance of a number of conditions:

- the customer must be at LV with contractually committed power of not more than 4.5 kW and not less than 2 kW;
- the POD must be fitted with a 1G or 2G remotely-managed meter. In this second case, any multi-hour bands set by the vendor must enable identification of the withdrawals made in night, weekend and holiday bands;
- a recharging device must be electrically connected to the meter; this device must at least be capable of:
 - measuring and recording the active recharging power and transmitting this figure to an external subject (e.g. an aggregator);
 - reducing/increasing or reinstating the maximum recharging power.
- customers must give their consent to checks and controls also in their homes and are required to communicate promptly any change to the system or contract that occurs during the experimentation.

Application of the experiments, initially envisaged as from 1 July 2020 through 31 December 2023, was extended to 31 December 2024 with resolution **634/2023/R/eel**, which represents the first result of consultation 540/2023/R/eel. The resolution provides for three measures deemed urgent on electric mobility: a gradual review of the BTVE (low-voltage electric vehicle) regulations from 2025, the confirmation to continue with trial 541/2020, and to establish technical panels.

With Determination 2/2024, ARERA's aim was to coordinate the activities linked to the topics of decarbonisation of consumption/electric mobility and the development of the hydrogen and renewable gas supply chain. In particular, ARERA envisaged that, with regard to the topics of decarbonisation of consumption/electric mobility, the following activities would take place:

- establishment of electric mobility focus groups envisaged by resolution 634/2023/R/eel;
- including through collaboration with research centres external to the Authority, the collection and analysis of useful data for updating and/or integrating the investigations already initiated regarding the evolution of technologies and the markets of significance to the electric mobility sector;
- participation in any technical panels established by other Public Administrations pertaining to electric mobility topics;
- support for the preparation of draft measures envisaged by resolution 634/2023/R/eel;
- preparation of reporting schemes such as those required by the AFIR Regulation;
- presentation of an interim summary report of activities performed to the Division Director;

With resolution **352/2021/R/eel**, the Authority launched a trial of the most appropriate regulatory solutions for the procurement of local ancillary services provided by distribution operators, for the associated remuneration. The trial takes into account the definitions and general principles already found in the European regu-

latory framework and also serves to gather information that may be useful in the European debate. In this regulatory context, areti developed the RomeFlex project (Reshaping Operational Methods to run grid FLEXibility), which makes it possible to create a local flexibility market in several areas of the City of Rome territory. To this end, on 22 December 2022 areti launched a public consultation (ending 31 January 2023) of the Regulation Scheme according to which the RomeFlex project proposal would be conducted. With resolution 372/2023/R/eel, the Authority approved the pilot project for the provision of local ancillary services proposed by the company areti for 2024, in the context of the process governed by resolution 352/2021/R/eel, as well as the documentation proposed by the GME and required for this purpose.

With Resolution **420/2023**, the Authority approved the fees proposed by the GME, set out by Article 7 of the Local Flexibility Market Regulations approved with resolution 372/2023/R/eel. The GME will continue to play the role of central counterparty on the electricity markets, including the local flexibility market. The values approved were set so as to encourage operator participation and the growth of liquidity on the LFM in its initial stages (first stage: selection of resources in which only the futures market will be operative, corresponding to the period from January to April 2024).

The Authority published Resolution **121/2024/R/eel**, which approved the requested amendments to the RomeFlex project, namely the introduction of the spot market and remodulation of the remuneration of services between capacity and energy. With resolution 121/2024, the Authority reiterated the areti 2024 budget of €5 million for services to the BSPs, specifying that: "...the fees paid by areti to the GME for transactions carried out on the LFM will be included among the costs for the remuneration of flexibility resources paid, pursuant to resolution 372/2023/R/eel, by the Fund for exceptional events, resilience and other special projects set out by Article 10, paragraph 10.1, letter l) of the TIPPi."

THE ITALIAN WASTE MANAGEMENT MARKET

The current situation of production and treatment capacity for waste in the traditional operational areas of the Acea Group and in the neighbouring areas shows a high "potential demand" for waste management (disposal in landfills, waste-to-energy, composting and biogas production, sludge and liquid waste treatment, recycling of mixed materials and production of Secondary Raw Materials). This is facilitated by a national regulatory framework that provides incentives and by the regulatory support of European directives on the recovery of materials and energy, as well as by the implementation of the European Union's policy guidelines on the circular economy (closing the loop), which are being implemented in Italy by virtue of a delegated law that has given the government the obligation to update environmental legislation adapting it to the new EU standards.

Opportunities for developing the sector are therefore highlighted, also facilitated by the availability of new technologies (for example in composting) and by possible forms of industrial integration with other operators.

Finally, the expansion of the potential for disposal/recovery of sewerage sludge – in the context of value added environmental services (sludge treatment, compost) – could lead to the completion of the integration with the Water business, in view of a complete management in-house of the entire supply chain.

WATER REGULATION

With **resolution 639/2023/R/idr** of 28 December 2023, the Authority defined the water tariff method for the fourth regulatory period 2024 – 2029 (MTI-4). The adoption of MTI-4 is part of the procedure begun with resolution 64/2023/R/idr (which also indicated the value of the average cost for the electricity supply sector for 2022, equal to €0.2855/kWh) and was followed by two consultations (DCO 442/2023/R/idr and DCO 543/2023/R/idr). With Communication dated 12 March 2024, ARERA also established the average cost for the electricity supply sector for 2023, equal to €0.2436/kWh. Again for MTI-4, the Authority confirmed the methodological approach adopted in the previous regulatory periods, with the aim of guaranteeing stability and continuity in the regulatory framework. Below are the aspects of greatest impact in the new method:

- extension of the regulatory period duration from four to six years, with two biennial updates of established tariffs (by 30 April 2026 and 30 April 2028) with a possible infra-period adjustment based on a justified request from the Area Governing Body (EGA) due to extraordinary circumstances;
- update of the parameters underlying the regulatory scheme matrix with a consequent increase in the maximum allowable values (primarily due to inflation) falling between 5.95% (Framework II, previously equal to 3.7%) and 9.95% (Framework VI, previously equal to 8.5%);
- financial and tax charges for the Integrated Water Service Operator: the Authority confirmed substantial alignment with the values for other regulated sectors, defining an overall value of 6.13% (4.8% in MTI-3);
- electricity costs: recognition within the tariff of the cost to acquire electricity incurred during the year (a-2), also valorising self-production and the operator's efforts to limit consumption without changing systems and scope; this value is to be seen as the maximum ceiling as a lower value can, in any case, be quantified, in order to at least partially anticipate the effects of the possible downward trend in the cost of electricity. At the time of adjustment, the Method envisages (with the exception of 2024 and 2025, for which the mechanism based on "average sector cost" is confirmed) a reference benchmark relative to a theoretical acquisition mix (for 2026: 70% variable price and 30% fixed; for subsequent years, an update to the weights is envisaged if needed). MTI-4 includes a deductible of 15% in addition to the benchmark (after exceeding that value any additional costs are borne by the operator), while cost efficiencies are divided between the operator and system (50% sharing). In the adjustments (RCaltro component relative to recovery of differences between the constraint of revenue and outlays incurred), amounts relative to the full recovery of electricity costs incurred in 2022 are covered, conditionally;
- adjustments: confirming, in line with previous regulatory periods, the possibility that the EGA and other relevant entities may present applications to exceed the tariff limit, the Authority emphasises that this choice may also be motivated by the need to recover adjustments relative to previous years and already approved by the same relevant entity or the Authority, in order to support the completion of necessary infrastructure. When approving the application, ARERA carries out a specific investigation intended to ascertain, beyond the validity of the data supplied and the efficiency of the metering service, congruence between the size of previous adjustments allowed for recovery and the resources required to achieve the necessary infrastruc-

ture. To limit the amount of allowable costs postponed to future period, the possibility to recover adjustments in years after 2029 is, as a rule, limited to solely cases in which this deferral is motivated by the need to respect the established limit on annual growth in the tariff multiplier. Nonetheless, it is envisaged that the EGA may present, in agreement with the operator, an application for deferral accompanied by a plan which clearly specifies the years in which it intends to carry out the recovery. Also in the light of the results of validation activity, it was decided to postpone to a subsequent provision the definition of operating methods to recover differences between:

- the data communicated with reference to odd years and the values identified after the fact with reference to volumes invoiced and electricity consumption;
- operating costs and adjustments quantified for the establishment of tariffs relative to 2023 assuming a null inflation rate and that derived from the update of the rate, equal to 4.5%;
- adjustment of allowable operating costs: the Authority envisages the inclusion of additional costs relative to the start of the new regulations, the expansion of the scope of activities carried out (management of rainwater where the EGA exercises the ability to include this activity within the Integrated Water Service), as well as additional costs incurred to adjust to the new technical quality objectives;
- incentives to promote energy and environmental sustainability: these measures assign a bonus in the case objectives are achieved, identified with reference to two new indicators:
 - RIU – Portion of purified volumes which could be reused but are not destined for this purpose;
 - ENE – quantity of electricity acquired (for which a lower target - 5% - has been adopted with reference to that initially proposed).

These mechanisms will be applied starting in 2025, considering, among other things, the situation of each operator in 2023.

With **consultation document 245/2024/R/idr**, published on 21 June 2024, the Authority presented the general framework elements and the guidelines for defining the basic schemes of calls for tender. Definition of the minimum content of the calls for tender is, for the Authority, an essential element for completing the regulations required to carry out the new assignment procedures, since they seek to guarantee uniformity in the criteria and methods to be used in public procedures to assign management and in those to assign to a mixed ownership company, limited to the aspects concerning the selection of the private partner (Art. 17, Italian Legislative Decree no.175/2016).

In line with the overarching legislation (Italian Legislative Decree 201/2022), the approach set out in the document is based on the parameters already adopted on a permanent basis in the context of regulation – of tariffs and technical and contractual quality – which are qualified as parameters for improving management to be pursued through competitive pressure. The deadline for submission of comments was 24 July 2024. The definitive document has not yet been published.

With reference to the social water bonus, note the following provisions:

- **determination 7/DICU/2024**, which approved the communications to be sent to users not granted the social water, electricity and gas bonus;
- **resolution 430/2024/R/idr** which simplifies and amends the disclosure obligations of operators and governing bodies on the social and supplementary bonus. Specifically, as of 2026, inte-



grated water service operators will be required to report data and summary information on the payment of the subsidy, as well as the data and information contained in the register, to the competent governing bodies only;

The new tariff method for the fourth regulatory period is supported by the following two documents:

- **resolution 358/2024/R/idr**, with which the Authority launched the proceeding for the *ex officio* determination of water service tariffs, pursuant to resolution 639/2023, as well as the acquisition of additional data relative to cases of exclusion from the tariff update. As the prompt implementation of MTI-4 represents, as noted by the Authority, a fundamental step to safeguard to economic and financial balance of the managed services and, specifically, to promote the implementation of an effective water supply security optimisation strategy, the Regulatory has deemed it opportune to vest the Tariffs and User Fees Directorate (DTAC) with the following two mandates:
 - to issue a formal notice to those who fall under the cases of automatic tariff determination pursuant to section 5.8 of resolution 639/2023, requesting that the said parties send the necessary information, within thirty days, upon penalty of the application of the theta of 0.9 for the duration of the case;
 - to issue a formal notice to the governing bodies “in the case of non-fulfilment of the obligation to update the tariff arrangement as requested by the operator”;
- **resolution 570/2024/R/idr**, with which the Authority identified the theoretical acquisition mix for the definition of the benchmark cost of electricity for the purpose of calculating the adjustments for 2027, in accordance with the provisions of the Tariff Method. This established that the mix would be formed of 90% variable price acquisitions and 10% fixed price acquisitions. The weightings for the coming years shall be defined in subsequent provisions.

In the context of a procedure carried out at the same time as the tariff method, with **resolution 637/2023/R/idr** the Authority adopted the update to the Integrated Water Service Technical Quality regulations (RQTI). The provision provides that, starting in 2024, quality objectives (both technical and contractual) will be consistently evaluated in a cumulative manner on a biennial basis.

Consequently, for the purposes of applying the bonus (and/or penalty) factors, the level reached cumulatively for each of the macro-indicators applied at the end of odd years will be an element of assessment. Both for technical and contractual quality there is a ceiling for the bonus, equal to 15% of the value of the Guaranteed Revenue Constraint (GRC).

By 30 April of each year, and using the operating methods to be established in subsequent provisions, the EGA must send the Authority an archive containing the file for RQTI data collection and monitoring, with annexed support documentation. As of 2026 (and then biennially), this archive must be verified by a pool of EGAs, subsequently defined by the Authority, which includes the entity locally responsible for that considered. If the archive is not certified, even partially, this must be justified and can constitute cause for exclusion from the incentive mechanism for any macro-indicators interested. Additionally, the operator can be excluded from the tariff update in the case of delays or problems in achieving the prerequisites established in the RQTI.

Among the main changes in the update to technical quality, beyond determining a number of assessment classes which are the same

for all macro-indicators (with adjustment of the various levels and associated objectives) and certain specifications for each macro-indicator, a new macro-indicator has been added - “MO - Water Resilience”, with which the Regulator has set the objective of evaluating the ability of the water system to handle the frequent stresses the water resource suffers, both in terms of the local area operated and at a higher levels. In fact, MO consists of two simple indicators:

- MOa (Water resilience at the level of integrated water service management), defined as the ratio between integrated water service consumption, including network losses, and water availability for the same operator,
- MOb (Water resilience at a higher level) which identifies the ratio between consumption for all uses, including network losses, and overall water availability in the area considered.

In February 2024, with **resolution 26/2024/R/idr** the Authority launched a process to define the new technical quality macro-indicator “MO - Water resilience”, establishing specific focus groups with interested stakeholders to share technical information on how the indicator will be calculated and the planning of measures to tackle the effects of climate change and guarantee the resilience of the water system. Following consultation DCO 474/2024/R/idr, on 27 December 2024 the Authority published **resolution 595/2024/R/idr** which initiated the start of the trial period to monitor and collect the data used to construct the water resilience macro-indicator. The purpose of the indicator is to introduce a systematic and effective monitoring process for the complex supply system in order to meet water demand forecasts, including for non-civil uses. The provision therefore regulates the methods used to calculate the MOb “water resilience at a higher level” indicator, as well as the methods to collect the data used to construct it during the trial and monitoring periods. The reference time frame for the measured quantities, the regional scope and the record-keeping obligations, shared between the operator and the governing bodies, were also defined, to enter into force on 1 January 2025. With regard to the application of the incentivisation mechanism (bonuses and penalties), the resolution establishes that “advanced and excellence” levels (Stages III, IV and V) shall be assessed starting from the 2026-2027 assessment period, without prejudice to the data measurement obligations. As already provided for in the consultation phase, the governing bodies may petition for the non-application of the incentivisation mechanism in the case of a missing prerequisite (excessive data gaps or data that do not meet the objectives of the RQTI). ARERA nonetheless intends to continue discussions with all relevant stakeholders on the conclusive definition of the MO.

With **resolutions 37/2024/R/idr and 39/2024/R/idr** the Authority began the procedure to assess the bonuses and penalties to be assigned to the operators in relation to the contractual and technical quality for the 2022-2023 two-year period. These processes will be structured into two phases:

- identification of the management set for which a complete set of information is possessed;
- assignment of penalties associated with stages I and II for all management entities that did not send the data by the deadlines.

The adoption of the relevant methodological notes and the determination of the revenue portion of the UI2 component destined for bonuses are postponed for subsequent provisions.

In relation to the exceptional weather events seen from 2 November 2023 onwards, ARERA, with resolution 50/2024/R/Com, confirmed more generally the interventions set out by resolution

519/2023/R/Com (Urgent provisions on electricity, gas and integrated water services in favour of the population in the areas impacted by the exceptional weather events on and after 2 November 2023) and, similarly to the provisions set out in favour of the population in Emilia-Romagna, established that the duration of the suspension of the payment terms for invoices issued or to be issued would be six months (from 2 November 2023 to 2 May 2024). The measure also provided for instalment schedules for the amounts suspended with said resolution 519/2023/R/Com, over a minimum period of 12 months, without the application of interest.

As regards Consumer Protection, following the relevant consultation, **resolution 371/2024/R/com** implemented measures to adapt the services provided to customers by the Office to new energy market dynamics, as well as to refine and further streamline the procedural and operational rules that apply to regulated services.

ELECTRICAL REGULATION

Biennial limitation

Article 1, paragraphs 4-10 of the 2018 Budget Law, introduced a two-year limitation on electricity supply contracts, initially establishing that end users were not eligible for this in the case of the failed or erroneous recording of consumption data, attributable to users. Paragraph 295 of Article 1 of the 2020 Budget Law eliminated this specification, establishing that the biennial limitation was also applicable in the case of confirmed responsibility on the part of the customer, and introducing objective liability in respect of the electricity chain operator, and in particular, the distributor, in its capacity as metering service operator, even without any liability or inefficiency in terms of its service provision. With Resolution 184/2020/R/com, ARERA transposed the provisions of the 2020 Budget Law with reference to the case of exclusion from the biennial limitation in cases of failed or erroneous recording of the electricity metering data, arising from the confirmed responsibility of the end customer. On 27 July 2020, areti and Acea Energia submitted an appeal to the Regional Administrative Court to have Resolution 184/2020/R/com cancelled. The appeal was accepted with the consequent cancellation of the resolution on the basis that the interpretation of the 2020 Budget Law had only referred to the duration of the limitation (two years instead of five years), without excluding the applicability of the general civil code regulations regarding limitation.

With Resolution 603/2021, the Authority amended Resolution 569/2018/R/com on the billing of consumption dating back more than two years as a result of DCO 457/21, in order to comply with 14 June 2021 Rulings 1441, 1444 and 1449 of the Lombardy Regional Administrative Court. With this resolution, the Authority confirmed the distributor's obligation to notify the seller, via certified email (PEC) – contemporaneously with the metering or adjustment data referring to consumption dating back to a period more than two years back – the indication of the presumed existence or non-existence of causes hindering the accrual of the limitation period pursuant to the primary and general reference legislation. It also confirmed that the seller's information obligations vis-à-vis the end customer should be separated depending on whether or not there are any amounts on the invoice for which the limitation is contested. The Authority has also provided for a transitional phase, pending the implementation of the flows between the various entities in the chain and the IWT, which provides for the

same information to be transmitted between the parties in a non-automated manner but with a defined time frame.

Following on from DCO 386/2021, the Authority published Resolution **604/2021/R/com**, which provides for:

- an annual compensation mechanism for the greater protection operator or the dispatching user associated with a withdrawal point, making it possible also to recover in the successive annual session any amounts not recovered in the reference annual session;
- a mechanism to make distribution companies liable, whereby from 2023 all electricity distribution companies will be required to pay a penalty to CSEA each year for recalculations invoiced in the previous year due to non-collection of actual readings or adjustments of actual metering amounts previously utilised, for the portion prior to 24 months of the date on which the data was made available.

With a precautionary ordinance, the Regional Administrative Court suspended ARERA resolution 603/2021 with reference to article 6.4, that is the transitory regulations that require distributors to respond within 7 days. The public hearing on the merits has been set for 1 December 2022.

With ordinance 4568/2022 of 13 October 2022, the Court of Bologna clarified that SME and large companies are excluded from the category of entities to which the biennial limitations apply for electricity and gas bills.

On 2 January 2023, the Regional Administrative Court published the rulings through which it granted the appeals of Italgas and Zi Rete Gas on the biennial statute of limitations, annulling Articles 5 (“Distributor communication obligations”) and 6.4 (“Transitional norms”) of Annex A to resolution 603/2021 and Article 9 of resolution 604/2021. The Regional Administrative Court judgement highlighted that “*the law does not grant ARERA the power to impact upon the general rules regarding limitation, so it cannot introduce different grounds for suspension of the limitation, nor can it amend on this point the distribution of the burden of proof, nor alter the content of the various relations existing, respectively, between distributor and seller and between seller and end customer, assigning to the distributor the task of ascertaining and qualifying legally facts intended to impact upon the regime of the limitation in the relation of which it is not a part*”. As a result, the Regional Administrative Court reiterated the illegitimacy of the rule set out by Art. 5, since it places disclosure obligations on the distributor which involve the ascertainment of facts, as well as the performance of qualifications and legal assessments, which change without legal basis the statutory regime of the limitation. The metering service does not involve specific operations intended to identify prohibitive conditions to the effective start of the limitation, pursuant to Art. 2935 of the Italian Civil Code, namely de facto situations reflecting “wilful misconduct of the creditor”, relevant pursuant to Art. 2941, no. 8 of the Italian Civil Code. Equally, the TIVG (Integrated Text on Retail Sale of Gas) does not burden the distributor with the qualification and legal assessment activities necessary to ascertain the existence of these situations. It is only Art. 5 of the resolution that requires the distributor to indicate whether prohibitive conditions exist, providing the seller with this information. According to the Regional Administrative Court, that which is established by ARERA in Art. 6.4 of the resolution is also illegitimate since it imposes upon the distributor the obligation to provide the seller within 7 working days from receipt of the communication of the plea of limitation raised by a customer with the information within its remit relating to “the existence of documented prohibitive conditions to granting the plea., the Regional



Administrative Court reiterates the illegitimacy of the provisions of Art. 9 of resolution no. 604/2021, which extended the provisions of Articles 5 and 6.4 of the resolution to end customers not falling within the scope of application of Art. 2 of the same resolution, namely it extended the regime set out by the aforesaid Articles 5 and 6.4 also to those who do not fall within the scope of so-called customers deemed worthy of stronger protection.

On 9 March 2023, with resolution 86/2023/C/com “Appeal of judgements no. 35 and no. 36 of 2 January 2023 of the Lombardy Regional Administrative Court, First Section, of partial annulment of Authority resolutions 603/2021/R/com and 604/2021/R/com”, the Authority decided to appeal to the Council of State against the judgements issued by the Lombardy Regional Administrative Court with reference to the cancellation of communication requirements imposed on distributors in relation to the biennial statute of limitations on utility bills pursuant to Articles 5 (“Distributor communication obligations”) and 6.4 (“Transitional norms”) of Annex A to resolution 603/2021 and Article 9 of resolution 604/2021. The Authority believes there is good reason to appeal the referenced Lombardy Regional Administrative Court judgements given that these are based on an erroneous interpretation of the relevant events and laws.

On 29 December 2023, the Council of State rejected the appeals filed by the Authority against the rulings of the Regional Administrative Court of Lombardy relating to resolution 603/2021/R/com and 604/2021/R/com.

The annulled provisions required the distributor to indicate to the seller, its counterparty, during communication of metering data or adjustment of the same referring to consumption dating back more than two years, any existence or lack thereof – and, if so, the related details – of grounds that would allow for the assumption that the limitation of the right of receivables pursuant to primary legislation had not expired.

On this point, the Council of State agreed with the Lombardy Regional Administrative Court, and so confirmed the illegitimacy of such provisions, underlining that the special rules on biennial limitation (Law 205/2017) did not assign the Authority “the task of ensuring the circulation, between companies in the supply chain, of information essential for enforcing their mutual claims, nor preventing the onset of disputes between those companies, nor overseeing compliance in their mutual commercial relations with the principles of correctness and good faith, and however important these objectives and, consequently, the commendable intention underlying the resolutions challenged may be, the legislation in question could not provide an opportunity to adopt measures – which would be binding for the recipients – that were not envisaged and not strictly functional to pursuing the specific public interests assigned by the same law to the Authority”.

The rulings highlighted that between distributor, seller and end customer, “two distinct business relationships existed, the one linking the seller to the end customer, and the one between the distributor and the seller. It is not a triangular relation [...] rather there are many distinct relationships, deriving from different business credentials characterised by a different regulation, so it is within each of these that the statutory norms on limitation must apply”. Therefore, even if the metering activity performed by the distributor could become significant for the supply contract between seller and end customer, this does not authorise ARERA to burden the distributor with reporting and qualifying facts “impacting on the limitation in the different relationship existing between the seller and the end customer”: these activities “must fall to the seller as creditor in the relationship with the end customer”.

In light of these rulings, on 1 March 2024 ARERA published an explanation in which it communicated that it did not believe it was necessary for further change to the regulations contained in resolutions 603/2021 and 604/2021, since these rules are self-sufficient and fully operational, even in the absence of the specific provisions annulled by the administrative court.

The Authority noted that:

- in order to comply with the obligations set out by 603/2021, regarding the information to be provided to the end customer with reference to whether or not the biennial limitation is expired, the seller must proceed only on the basis of the factual information at its disposal, and no longer has to wait for additional elements from the distributor;
- for the purposes of admission to the compensation mechanism, the seller may participate with reference to those amounts for which it must in turn have challenged the limitation to the distributor, without the latter having disputed a prohibitive condition to the expiration of the same pursuant to the Italian Civil Code. It shall be the responsibility of the distributor to prove the existence of such prohibitive conditions, such as that of Art. 2941, no. 8 of the Italian Civil Code;

The Authority also referred to the communication of 13 December 2021 (not annulled by the administrative court), which specified that the distributor may not limit itself to include, as a prohibitive condition to the expiration of the limitation on its receivable from its user, the mere fact of having complied with the Authority’s regulations on mandatory reading attempts.

Following abrogation of paragraph 5, Art. 1 of Law 205/2017 (which excluded the biennial limitation in case of “ascertained responsibility of the end customer”), the biennial term of the limitation envisaged in paragraph 4 of the same article operates without further exemptions with respect to the general regulation of the institution, so even when the failure to read the metering data by the distributor (albeit in compliance with the Authority’s regulations on mandatory reading attempts) depends on alleged responsibilities of the end customer (who, for example, was not present at the time when the distributor’s staff attended to take the reading of an inaccessible or non-remotely read meter). The Authority considers that such conclusion is also confirmed in the rulings of the Lombardy Regional Administrative Court and of the Council of State mentioned above, which specified that the end customer is not the debtor of the distributor, but of the seller, with the consequence that any conduct of the end customer that prevents the distributor from correctly recording the metering data cannot be of relevance for the purposes of the aforesaid Art. 2941, no. 8 of the Italian Civil Code, which uses as reference (only) the conduct of the debtor, i.e. of the seller (and therefore not of the customer).

Subsequent to the clarification issued by ARERA on 1 March 2024 and in implementation of the provisions set out in resolution 604/2021/R/com, ARERA, with determination 5/2024-DIME, approved the Cassa per i Servizi Energetici e Ambientali (CSEA) handbook, which defines the methods for the implementation of the compensation mechanism of the amounts related to the two-year statute of limitations and the implementation of the measures for the incentive of the reduction of the multi-year adjustments for the electricity sector to be borne by the distributors.

With circulars 46, 67, 68 and 69 issued in 2024, CSEA thus defined, in detail, the operating methods and time frames for the mechanism which, in its initial implementation, requires that claims for the compensation of amounts for which the retailer invokes the statute of limitations because the distributor fails to prove the exis-

tence of one of the causes preventing it from being reached, must be filed by 31 March 2025.

Social Bonus

In implementation of the provisions of the 2023 Budget Law regarding the graduation of the bonus in relation to the various ISEE thresholds and annual consumption, with resolution 622/2023/R/com, ARERA revised the methods for updating the social bonuses so as to ensure a 30% reduction in electricity spending and 15% in gas spending.

With effect from the 1st January 2024, with reference to the electricity sector, ARERA therefore updated the quantification of the (economic and physical) bonus, on an annual basis, linking it to the best available estimate of the average spending and introduced, limited to the first quarter of 2024, an extraordinary contribution, paid alongside the electricity bonus, to limit the increases due to price variations.

With resolution 599/2024/R/com issued at the end of 2024, ARERA updated the amounts of the bonus (both economic and physical) for 2025.

Provisions in favour of groups impacted by the exceptional weather events starting on 1 May 2023

Following the exceptional weather events in May 2023 in Emilia-Romagna, ARERA urgently arranged, with resolution 216/2023/R/com, suspension of payment for invoices issued or to be issued with due dates from 1 May 2023 on and consequently regulations for suspension due to arrears, also in the case of arrears occurring prior to the same date of 1 May 2023.

With the subsequent resolution 267/2023/R/com, ARERA better specified that the period of suspension for users located in the impacted areas (annex 1 to Decree Law 61/23) is equal to 4 months, from 1 May 2023 to 31 August 2023, and called for automatic establishment of 12 instalment payments for these amounts.

In support of sellers, ARERA established an advance mechanism for the amounts with suspended payment; this mechanism can only be accessed in the case of demonstrated financial problems, or if the suspension involves users that account for over 3% of total sales with reference to the first 4 months of 2023.

With subsequent resolution 390/2023/R/com, ARERA called for the extension until 31 October 2023 of the suspension of the terms of payment in favour of those in Emilia-Romagna. In contrast to the previous suspension, automatically applied, to obtain the extension the end customer needed to make an explicit request.

With resolution 565/2023/R/com (integrated with resolution 10/2024/R/com) ARERA governed tariff subsidies to apply to consumption subject to suspension; customers must ask their vendor to apply the subsidies by 30 June 2024.

Due to the urgency of the matter, albeit in the absence of prior consultation, ARERA, after nevertheless gathering feedback from all stakeholders, published resolution 10/2024/R/com, which integrated and clarified the previously approved regulation; in particular, ARERA identified 30 June 2024 as the deadline for requesting the subsidies and postponed until 31 October 2024 (from the previous 31 March) the deadline for issuing invoices that account for the amounts suspended until 31 October 2023 and any subsidies.

Provisions in favour of groups impacted by the exceptional weather events starting on 2 November 2023

Following the exceptional weather events in Tuscany starting on 2 November 2023, with resolution 519/2023/com, ARERA ordered the suspension of the terms of payment for invoices issued or to be issued with a due date of 2 November 2023 or later, without application of the suspension due to arrears rules for utilities located in the sites identified by the Commissioner delegated to the emergency.

With subsequent resolution 50/2024/R/com, ARERA supplemented the previous regulation by specifying that the period of suspension of the payment terms was 6 (six) months effective from 2 November 2023 until 2 May 2024. The same resolution also stated that, within two months from the end of said suspension, the seller must communicate the value of the payments subject to suspension and automatically make them payable by instalments, with instalments no less than €20 for a period of 12 months.

Gradual Protection Service for non-vulnerable domestic customers

With resolution 362/2023/R/eel and s.m.i., as amended, the Authority adopted provisions for the regulation and assignment methods for the Gradual Protection Service which can be accessed by non-vulnerable domestic customers (hereafter, GPS for non-vulnerable domestic customers or GPS) without a supplier as of the date the Greater Protection Service is removed. The end of the aforementioned service was planned, pursuant to Law 124 of 4 August 2017, as amended, by 1 April 2024, as the operators who won the tenders to assign the service began operating the GPS.

Decree Law 181/2023 (“Energy Security Decree”) postponed the auctions for the Gradual Protection Service for non-vulnerable domestic customers to 10 January 2024. ARERA, with resolution 580/2023, implemented that envisaged in article 14 of the Energy Security Decree Law, postponing the date on which the auctions were held to 10 January 2024. Based on this, Acquirente Unico published as quickly as possible the updated Tender Regulations with the new expiration dates.

In essence, resolution 362/2023/R/eel and s.m.i., as amended, establishes that:

- “vulnerable” domestic customers will remain in the greater protection service for a transitional period, postponing to subsequent Authority provisions actions functional to their removal from this category;
- the tender procedure will be carried out with a single turn-based closed envelope auction system, giving participants the possibility to indicate the maximum number of areas they commit to serving. A maximum limit is set for the assignment of areas to each participant, defined based on the number of customers served as at 30 June 2023, in addition to a 30% ceiling envisaged in the Ministerial Decree of 17 May 2023, to mitigate the additional risk that an operator may be awarded a number of withdrawal points out of proportion to its initial customer base. Therefore, each participant can be awarded a maximum number of areas equal to the lesser of the value communicated



by Acquirente Unico and 7, corresponding to 30% of the total number of areas in the auction. A cap on the price offered is envisaged, which is not revealed to the participants. No floor is established. In the case that there are combinations of areas which could potentially be assigned to two or more operators which give the same result in terms of the minimum price for providing the service, digital drawing of lots will be utilised to assign the areas to the relevant participants.

As provided for in Annex B to Resolution 362/2023, on 26 September 2023 the Regulation and the related annexes governing the competitive procedures for assigning the gradual protection service was published on Acquirente Unico's website. By 5 October 2023 Acea Energia presented an application for participation and on 9 October 2023 Acquirente Unico made available the pre-procedure information. One month prior to the auction, Acquirente Unico made available to tender procedure participants additional information that greater protection operators must send to the AU. This additional information refers to the number of withdrawal points held by non-vulnerable domestic customers served under greater protection in April 2023 which utilise (1) an automatic payment method, (2) the utility bill in digital format.

With reference to Greater Protection Operators:

- during the period from September 2023 and June 2024, a separate page must be included with at least two utility bills, with the second sent to the customer between April and June 2024, with standardised text determined by the Authority, which differs for vulnerable and non-vulnerable customers;
- in derogation of the Consolidated Law on Invoicing, the final bill must be sent within ten weeks of the supply ending.

With resolution 576/2023, the Authority defined a system to verify update requirements - applying to greater protection operators - with reference to the data in the Official Central Registry (OCR), of the Integrated Information System Operator, relative to customers served, with possible penalties borne by the operators themselves as the entities responsible for the accuracy of this information, in the case that for each withdrawal point subject to transfer in the GPS, the data needed for invoicing and contacting the end customer in the OCR is different from that used by the greater protection operator after an adequate improvement process, which was completed in May.

Free market vendors, with reference solely to domestic end customers, must include:

- in all bills issued between December 2023 and June 2024, a text defined by the Authority on the rights of vulnerable customers and the conditions that apply to them, in the specific area reserved for statements from the Authority;
- starting from 1 January 2025, in at least one bill per year, a text defined by the Authority on the rights of vulnerable customers and the conditions that apply to them, in the specific area reserved for statements.

Lastly, the Authority specified that the time frames for carrying out the tender procedures were conditional upon the results of the ongoing assessments of the methods for implementing the provisions set out by Decree Law 48/23 on the social clause of call centre

operators, including those for collecting and providing tender participants with information about the staff affected by such clause, which is necessary for the purposes of operators formulating their economic bids.

By 5 October 2023 Acea Energia presented an application for participation in the tender procedure and by 10 November 2023 Acquirente Unico made available the pre-procedure information.

The auctions were to have been held on 11 December 2023 but Art. 14 of the Energy Security Decree Law postponed the date until 10 January 2024. ARERA, with resolution 580/2023, implemented that envisaged in article 14 of the Decree Law. Energy Security Decree Law, postponing the date on which the auctions were held to 10 January 2024. For this reason, it appointed Acquirente Unico to publish the updated Tender Regulations with the new deadlines as soon as possible. The new deadlines should be set so as to ensure the same minimum time frames between the various activities instrumental to assigning the service by auction and currently envisaged by said Regulations. Lastly, the Authority postponed the following to another resolution:

- additional regulatory initiatives that become necessary to adjust the current regulations set out by resolution 362/2023/R/eel to the new date for carrying out the tender procedures, including the necessary amendments to the information texts of the second communication that must be sent to domestic customers served under greater protection by the related operators, starting from 2024, and the time frames for sending such texts;
- the assessment of the review of the current deadline for activating the GPS, including according to the information initiatives envisaged by Decree Law 181/23, guaranteeing their communication, with sufficient notice before 10 January 2024, to the participants of the tender procedures.

Following resolution 580/2023, AU published the updated Tender Regulations as well as the calendar of tender procedures.

As previously announced in resolution 580/2023, with resolution 600/2023 "Revision of activation schedules for the gradual protection service of non-vulnerable domestic customers in the electricity sector pursuant to Law 124 of 4 August 2017; Amendments to the Authority's resolution 362/2023/R/eel and relative annexes A, B, C and D", the Authority revised the date for activation of the GPS, postponing it to 1 July 2024. This was due to the need:

- to ensure end customers have a sufficient period of time to inform themselves, with respect to price protection, through the specific informational campaigns which, pursuant to Decree Law 181/23, must be carried out by MASE, for a period not to exceed twelve months;
- to carry out preparatory activities for the GPS (which also include actions to implement the provisions in the cited Decree Law with reference to the automatic transfer of direct debit authorisations for bills issued by the GPS operator, to be completed by 31 May 2024);
- to limit as much as possible the period between the assignment and activation of the GPS, to contain changes between the known conditions at the time of participation in the tender procedures (in terms of non-vulnerable end customers in greater protection) and the effective conditions at the time the service is activated.

On the other hand, the date on which the service assignment period will end remained unchanged, on 31 March 2027, consistent with that established in the Ministerial Decree of 17 May 2023 which states that, as from 1 April 2027, the GPS will serve solely as the service of last resort for all small customers, such as small companies, micro enterprises and non-vulnerable domestic customers. As a result of the above, the Authority reviewed the dates shown in the texts of the communications as well as the time frames for sending the utility bills containing the communications for both Greater Protection Operators and Free Market Sellers; in particular, the Greater Protection Operator must include the information set out by resolution 362/2023, updated with the date of 1 July 2024, in the bills sent between April and June 2024.

On 6 February 2024, Acquirente Unico therefore published the outcomes of the tender procedure to identify the operators of the Gradual Protection Service for non-vulnerable domestic customers for the period between 1 July 2024 and 31 March 2027. The 26 territorial areas went to Enel Energia (7 areas), Hera Comm (7 areas), Edison Energia (4 areas), Illumia (3 areas), Iren Mercato (2 areas), A2A Energia (2 areas) and Eon (1 area).

Only on three areas was the contract price positive, while on the remaining areas the contract price was negative. The Municipality of Rome went to Enel Energia with a price of – €27.7066/POD/year.

On 29 March 2024, resolution 101/2024/R/eel was published, “Supplements to the disclosure obligations of operators of the Greater Protection Service towards domestic customers in relation to the provisions set out by Article 14, paragraphs 5 and 5-bis, of Decree Law no. 181 of 9 December 2023”.

Art. 14, paragraphs 5 and 5-bis of the law converting Decree Law 181/23 establishes the automatic transfer of the active bank direct debit of non-vulnerable domestic customers from the Greater Protection operators to the Gradual Protection Service operators for non-vulnerable domestic customers or to the Vulnerability Service operators according to terms and conditions that will be defined within 60 days from the conclusion of the tender and in any case no later than 31 May 2024, by ARERA in agreement with the Bank of Italy and having consulted the MASE. In particular, paragraph 5-bis states that Greater Protection Service operators must provide the Gradual Protection and Vulnerability Services operators with all the information necessary to proceed with the direct debit from the payment account or from the payment instrument of the domestic customer. Operators of the aforementioned services (Gradual Protection or Vulnerability) must also inform their respective customers regarding the takeover of the position as authorised creditor of the direct debit in advance of the first direct debit payment. Without prejudice to the domestic customer’s right to revoke the direct debit authorisation, the provisions of Legislative Decree 11/2010 implementing Directive 2007/64/EC on payment services in the internal market shall apply.

Awaiting implementation of the provisions of Article 14, paragraphs 5 and 5-bis, the Authority supplemented the information set out in Annex C to resolution 362/2023/R/eel that the Greater Protection operators must send to their non-vulnerable domestic customers between April and June 2024, with information regarding the automatic transfer of the direct debit from the payment account or from the payment instrument of the domestic customer established by Decree Law 181/23.

Lastly, after holding meetings with the Bank of Italy, the Italian Data Protection Authority and with the operators, ARERA published resolution 217/2024/R/eel in order to implement the automatic renewal of the direct debit authorisation in case of domestic end

customers who return to the Gradual Protection Service. The resolution identified the data subject to transfer between the Greater Protection Service and Gradual Protection Service operators and the technical methods for the secure transfer of such information. The data transfer was established between 1 and 8 July 2024 and the renewal of the direct debit authorisation would take place on 2 September 2024 in order to allow the Greater Protection Service operator to collect the latest invoices issued for the service via direct debit.

Identification of vulnerable customers in the electricity market

With resolution **383/2023/R/eel**, the Authority defined the methods for identifying vulnerable customers, who will not be involved in the auctions for the Gradual Protection Service.

In particular, by the end of each month, starting in September 2023, the IWS identifies as vulnerable:

- end customers who receive a social bonus for economic problems during the current or previous year;
- end customers who receive a social bonus for physical problems during the month in progress;
- end customers who have a withdrawal point which cannot be disconnected;
- end customers over 75 years old.

By 10 September 2023, the IWS made the information able to greater protection operators with reference to their customers and made the information available for consultation.

Communications by the Greater Protection Operator:

- alongside the information envisaged by resolution 362/2023 (to be included in at least two utility bills in the period between September 2023 and March 2024), it must inform the customers identified as non-vulnerable of the possibility to identify as vulnerable if they are individuals with a disability pursuant to Article 3 of Law 104/92 or live with people with serious health conditions that require the use of medical equipment. Identification can be carried out using Form 1 attached to this resolution;
- from April 2024, when contracting with a new customer for a transfer or new activation, it verifies the vulnerability requirements using Form 2 attached to this resolution or other self-certification;
- when contracting due to change in supplier, it verifies the vulnerability requirements using Form 2 attached to this resolution or other self-certification.

Communications from Gradual Protection Operator (from 1 April 2024):

- when contracting with a new end customer, for a transfer or new activation, it informs the customer that in the presence of at least one of the vulnerability requirements, said customer is entitled to the Greater Protection service and not the Gradual Protection Service, and that the customer must contact the Greater Protection Service operator of reference, contact details for which can be found on the ARERA site;
- pending definitive assignment of the service or in cases of activation of the service of last resort by SII, in the Service activation communication, informs the customer of the need to identify as vulnerable using Form 3 attached to the resolution or other self-certification;
- information about customer vulnerability must be transferred to SII using the methods defined by it.



Beyond the National Single Price

Art. 13 of Legislative Decree 210/2021 set out the conditions and criteria for a gradual transition to zonal pricing defined based on market trends, without prejudice to the calculation by the GME of a reference price for electricity traded on the wholesale market in line with the NPS (*Prezzo Unico Nazionale* - National Single Price). In February 2024, article 13 of Legislative Decree 210/21 was amended by Decree Law 181/23, converted with amendments into Law 11/24: therein, the legislature mandated the Minister for the Environment and Energy Security to establish, by means of a decree issued by the same, the conditions and criteria for the application, as of 1 January 2025, of zonal pricing on the wholesale electricity market and guidelines for the definition by the Authority of a transitional equalisation mechanism, to compensate for any difference between zonal prices and a reference price calculated by the GME in continuity with the calculation of the NSP.

The Minister implemented this provision with the Decree of 18 April 2024, which established:

- as of 1 January 2025, the valuation at zonal prices of electricity purchase offers on the day-ahead market;
- for the purposes of regulating the electricity market, the calculation by GME of a reference price for electricity traded on the day-ahead market, as the weighted average of the zonal prices for the quantities purchased in respect of zonal portfolios in each zone;
- the definition by the Authority of a transitional equalisation mechanism, to compensate for any difference between zonal prices and the reference price calculated by the GME, along with the relative hedging methods; this mechanism will be active until at least 31 December 2025;
- the definition by the Authority of the terms and methods for transitioning away from the equalisation mechanism;
- the definition by the Authority of the methods used by GME to calculate the reference price in order to transition away from the equalisation mechanism, with the provision by the Integrated Information System of the relative information flows on withdrawal data required for this purpose.

Subsequently, the Authority published DCO 194/2024/R/eel, which outlined the methods for leaving the National Single Price behind starting from 1 January 2025, in line with the provisions of the MASE decree of 18 April 2024 that established the application of zonal prices also to demand and the definition by ARERA, for a transitional period, of an equalisation component to compensate for any difference between zonal price and NSP. In the DCO, following an excursus on the current role of the PUN on both the retail and wholesale markets, two alternative hypotheses were set out for 2025, postponing the identification of the complete solution until subsequent evaluations and consultations are held (from 2026 and with at least 12 months' notice). The first hypothesis considered replacing the NSP with the new GME Index NSP (calculated much in the same way as the current NSP, namely as a weighted average of the zonal prices) which would not lead to significant impacts on either the retail or wholesale markets, nor on the mechanism of guarantees. The second hypothesis considered the introduction of a new equalisation component managed by Terna. This hypothesis would require a change to the current regulation for standard market services (Greater Protection Service, Gradual Protection Services and Safeguard Service) and for variable price Placet offers. In both cases, however, the Authority noted that the replacement of the NSP with a new reference index (NSP GME Index) does

not fall within the retailers' discretion as it is instead dictated by legislative and regulatory developments. Therefore, the Authority considered it sufficient for the retailers to inform the customers concerned of the contractual changes in the first bill in which these were applied.

At the end of July 2024, the Authority published resolution 304/2024/R/eel providing that, as of 1 January 2025, the transitional phase away from the National Single Price would begin, maintaining a reference price (the GME Index NSP) calculated in the same way as the current NSP but with an equalisation mechanism that considers zonal prices. In this regard, the Authority confirmed the first hypothesis presented during DCO 194/2024 which provided for the application of a compensation component on energy purchased on the Day-Ahead Market. This hypothesis was selected due to its limited impact on the current market structure.

Tariff regulation

With resolution no. 206-2024, the Authority approved the values of the provisional reference tariffs for 2024 for the electricity distribution and metering service. The provisional tariff for the distribution service for Areti is €419,867,005.

The value of the fixed assets and the related provision for depreciation and the net value of public and private contributions of assets in operation are managed in continuation with the current regulatory criteria and are reassessed based on the annual average change in the deflator of gross fixed investments, reported by ISTAT, excluding quotas of depreciation and disposals.

The value of the T(res) component of the Tariff for the metering service is 213.31 expressed in euro cents per year per effective metering point, to cover the residual non-amortised cost of the electromechanical meters replaced with electronic meters.

ENVIRONMENTAL REGULATION

With resolution 443/19 of 31 October 2019, ARERA approved the first tariff method for the integrated waste management service for the years 2018-2021. The Waste Tariff Method (WTM) defines the new rules for the TARI fees to be applied to users in 2020-2021, the criteria for the costs recognised in the current two-year period 2018-2019 and the reporting obligations.

As in other sectors subject to regulation, the WTM refers to ex-post data referring to certain accounting sources (financial statements) for the year Y-2 and applied to year Y (including indications of adjustments that permeate the entire algebraic structure of the method) and no longer to forecast data.

In the new method, ARERA applies a hybrid approach, borrowed from other service regulations, characterised by a different treatment of capital costs and operating costs. Namely:

- Capital costs recognised according to a regulation scheme of the rate-of-return type;
- Operating costs with the application of incentive regulation schemes and the definition of efficiency targets on a multi-annual basis.

Furthermore, the method calls for tariff limits to revenue growth and the introduction of four different schemes that can be adopted by local authorities and operators with respect to the objectives of improving service. It also regulates the phases of the integrated waste service: street sweeping and washing, collection and transport, treatment and recovery, treatment and disposal of municipal waste, tariff management and user relations.

In this first definition of the WTM, ARERA maintained the algebraic structure of the method established by Italian Presidential Decree 158/1999, providing for the inclusion of further additional components for the determination of the fees, as follows:

- Limit to the overall growth of tariff revenues, with the introduction of a limit factor for annual variation that also takes into account efficiency gains and productivity recovery;
- asymmetrical configuration characterised by a tariff matrix that in the valuation and calculations of the individual cost components, considers the following elements: 1) service improvement objectives established at a local level; 2) possible extension to the operational perimeter;
- Sharing factor in relation to revenues from the sale of material and energy from waste (between 0.3 and 0.6), and in relation to CONAI revenues (between 0.1 and 0.4);
- introduction of an adjustment component for variable and fixed costs, defined as the difference between the revenues defined by ARERA for the variable and/or fixed cost components for year Y-2 and the tariff revenues calculated for the year Y-2;
- introduction of two different rates of return on net invested capital (WACC) for the service of the integrated waste cycle and a differentiated rate of return for the enhancement of current assets: 6.3% for the years 2020-2021; increase of 1% to cover the costs arising from the time lag between the year of recognition of investments (Y-2) and the year of tariff recognition (Y).

With Integrated Text TITR – 444/2019/R/rif – Provisions on transparency in the management of urban and similar waste, this text defines the provisions on transparency of the management of urban and similar waste for the regulatory period 1 April 2020 - 31 December 2023. The scope of the intervention includes the minimum information to be made available by the integrated cycle manager through websites, the minimum information to be included in collection documents (payment notice or bill) and individual communications to users concerning significant changes in operations.

With resolution **363/2021/R/rif**, the Authority approved the new **Waste Tariff Method MTR-2** for the years 2022-2025. The method also establishes criteria for access tariffs for treatment plants owned by operators not integrated into the upstream activities of the supply chain, which apply solely to the “minimum plants” defined by the relevant entities in the context of area planning. On the other hand, plants not classified as “minimum” (known as “additional”) are subject solely to the regulations on transparency in operating information. According to the adopted method, the managers of the minimum plants must prepare the Economic Financial Plan (EFP) for 2022-2025 in line with the indications found in the aforementioned MTR-2 and, pursuant to article 7 of resolution 363/2021/R/rif, send them to the relevant bodies for validation; these latter then send them to ARERA for verification of regulatory consistency with the documents and subsequent approval of the tariffs.

Resolution **459/2021/R/rif** subsequently completed the tariff regulatory framework defined for the MTR-2, containing the values of parameters to determine capital use costs (i.e. planned inflation rate and the vector expressing the deflator for gross fixed investments for the MTR-2 period of application), as well as resolution **68/2022/R/rif** which established, for managers providing processing activities in a non-integrated form, a WACC value of 6%.

With Determination **01/DRIF/2022** of 22 April 2022, on the other hand, ARERA approved the basic schemes for the documents

making up the tariff proposal that managers of “minimum” plants submit to the relevant bodies, consisting of the EGATO or the Region.

In 2022, following the sector scheduling documents published by the relevant bodies, in application of the ARERA regulations pursuant to resolution 363/2021/R/rif, Acea Ambiente and the Group companies involved implemented preparatory activities to comply with regulatory activities for plants classified as “minimum” and, subsequently, sent the documents required under Determination 01/DRIF/2022.

On 24 and 27 February, decisions **486/2023** and **501/2023** were respectively published, and on 6 March 2023, decision **557/2023**, with which the Regional Administrative Court of Lombardy, Milan, First Section, **in part annulled resolution 363/2021/R/rif**. Specifically, the Regional Administrative Court found that ARERA’s identification of “minimum” plants fell outside of the government’s area of responsibility, consequently granting Regions powers not due to them and inverting the proper direction of the scheduling process. On 7 March 2023, ARERA published resolution **91/2023/C/rif** providing information on its appeal made to the Council of State, requesting precautionary suspension of the decisions of the Regional Administrative Court of Lombardy, in that in the Authority’s opinion, “*the referenced decisions [...] are based on an erroneous interpretation of the relevant factual and legal elements*”. The Council of State rejected this precautionary suspension request.

While awaiting the Council of State’s decision on the merits, with consultation document **275/2023/R/rif**, in the context of the procedure begun with resolution 62/2023/R/rif, the Authority provided guidance for the 2024-2025 two-year update for the waste tariff method (MTR-2). In particular, the Authority confirmed its desire to not submit to the referenced Lombardy Regional Administrative Court decisions and proposed updates to the main economic parameters, above all the inflation rate.

Upon completion of the aforementioned procedures, in July 2023 ARERA published the following provisions:

- Resolution **385/2023/R/rif** “Basic service contract scheme to govern relations between awarding entities and urban waste management service operators” which follows (most recently) the guidelines presented with the cited DCO 262/2023/R/rif;
- Resolution **386/2023/R/rif** “Establishment of equalisation systems in the urban waste sector” which takes up the proposals formulated in DCO 611/2022/R/rif without confirming the introduction of the equalisation instrument linked to the waste hierarchy for that going to plans (postponed to the next regulatory period);
- Resolution **387/2023/R/rif** “Monitoring and transparency obligations for efficiency in separated waste and urban waste treatment plants”, which introduced initial regulations for quality for plants, with reference to both technical aspects (in particular management of processing waste) and contractual/commercial aspects (management of complaints and written requests from users, monitoring of service interruptions) with respect to which the Company adopted specific compliance measures in terms of collecting and recording information and making adjustments to contracts and its website; while establishing initial monitoring and reporting obligations, the provision did not introduce service standards correlated to bonus and penalty mechanisms, which had been announced in DCO 214/2023/R/rif;
- Resolution **389/2023/R/rif** “Two year update (2024-2025) of the waste tariff method (MTR-2)” with which, in line with the proposals in DCO 275/2023/R/rif, confirms and updates (with particular reference to economic parameters and internal infla-



tion rates) the general structure for defining plant access tariffs pursuant to resolution 363/2021/R/rif, specifically the update of the tariff for 2024-2025 (based on updated data relative to 2022-2023) by 30 April 2024. With resolution 465/2023/R/rif ARERA subsequently confirmed the provisions inserted in line with Council of State ruling 7196/23, on the deduction of the tariff recognised for integrated management of costs/revenue attributable to precleaning, preselection or preprocessing of plastic packaging coming from separated waste.

During December 2023, the **Council of State Second Section Rulings 10548, 10550, 10734, and 10775**, rejected the ARERA appeal and confirming the reasoning already expressed by the Regional Administrative Court of Lombardy, which found the classification of plants envisaged in the MTR-2 to be illegitimate, in that the material fell under the areas of planning falling to the government.

With resolution **7/2024/R/rif and 72/2024/R/rif**, ARERA took action to comply with these rulings, confirming the tariff adjustment for “minimum” plants starting from 2024-2025 (as updated by resolutions 389/2023/R/rif and 7/2024/R/rif with reference to time references and the new investment remuneration rate – WACC – which rose from 6% to 6.6%). Confirmation of the structure for “minimum” plants now is based on the criteria identified in the meantime in the PNGR (Ministerial Decree 257 of 24 June 2022).

Additionally, with resolution **27/2024/R/rif** ARERA began the procedure to define directives for accounting and administrative separation in the urban waste sector, with the objective of applying the regulations starting in the next regulatory period, in 2026.

Lastly, with Determination no. 2 of 16 April 2024, ARERA approved the basic schemes for the documents making up the tariff proposal for the 2024-2025 two-year period and the operating methods for the related transmission to the Authority. It also provided clarifications on aspects of application of the tariff regulation on access to treatment plants, pursuant to resolutions 363/2021/r/rif, 7/2024/r/rif and 72/2024/r/rif.

SCENARIO OF REFERENCE FOR ESG (ENVIRONMENTAL, SOCIAL, GOVERNANCE) ASPECTS

Sustainable development

2024 was characterised by various initiatives carried out by the European Union, which, in a political context influenced by the end of the legislative cycle, consolidated the strategic and legislative framework of reference marked by the pursuit of shared sustainability objectives set out by the Green Deal. In this regard, the European Commission recently proposed a €100 billion investment to support the production of clean technologies in the EU, as part of the Clean Industrial Deal. This investment aims, in particular, to strengthen the competitiveness of very energy-intensive industries by helping them to confront the high costs and stringent regulatory requirements of the global market. Furthermore, the Commission is also launching a collaboration with the European Investment Bank to develop guarantee schemes able to reduce long-term contract costs for renewable energy and support electricity grid producers. The creation of an EU Centre for Critical Raw Materials has also been proposed, aimed at securing the metals and minerals required to tackle the energy transition.

As already established, the Corporate Sustainability Reporting Directive (CSRD) came into force on 1 January 2024, representing a substantial overhaul for corporate sustainable reporting, expand-

ing the number of entities involved, and introducing new reporting standards for ESG (environmental, social, governance) aspects. The CSRD reinforces the correlation between financial and non-financial statements, establishing more stringent obligations in terms of data transparency and verifiability, with the aim of improving the sustainability and resilience of the European market. In this context, the adoption of EU Regulation 2023/2772, which establishes specific criteria for the disclosure of sustainability information, also assumes relevance.

On the other hand, in the context of the action plan for zero air, water and soil pollution, we find the proposals for directives regarding urban wastewater treatment and the protection of surface and ground water, in full synergy and coherence with the recent review of the drinking water directive. Approval of the Nature Restoration Law was also significant. It aims to restore, by 2030 and by establishing specific legally binding objectives and obligations, the natural quality of various ecosystems, from forests and marine ecosystems to agricultural and urban areas. Based on the new rules, Member States must prepare and present national restoration plans to the Commission.

In line with these developments, on 5 March 2024 Acea presented its new 2024-2028 Business Plan, entitled “Green Diligent Growth”, in which all aspects of sustainable development (environment, social and governance), from the objectives assumed as part of the SBTi and the new human rights policy, to the commitment to promote sustainability performance along the supply chain and develop ESG financing, will play an enabling role in its mission as operator of sustainable infrastructure (for more information, please refer to paragraph “The strategy of sustainability”).

Standards in the reference markets at a local, national and supra-national level

The regulatory context of the Acea Group is wide-ranging and articulated according to the specificity of the businesses managed and the variety of the frameworks within which the legal and regulatory disciplines intervene, which affect the business operations.

In the water sector, we note the significant entry into force on 26 June 2023 of Regulation (EU) 2020/741 on minimum requirements for water reuse and the related Commission Delegated Regulation (EU) 2024/1765, which came into force on 10 July and sets out technical specifications for the reuse of water for agricultural use, as well as Directive (EU) 2024/3019 of the European Parliament and of the Council of 27 November 2024, concerning the treatment of urban waste water. Through this Directive, new regulations were adopted for more efficient water treatment and covering more agglomerations and pollutants.

In relation to Italian legislation, we note Decree Law 89/2024 (Infrastructure DL), which also made specific changes to the resurfacing project of the upper section of the Peschiera aqueduct, providing for further public financing.

There was also the Cohesion Decree Law (DL 60/2024 converted by Law 95/24) on the use of the resources of 2021-2027 European cohesion policies, with the main goal of accelerating the actions of programmes in strategic sectors such as the water sector and the creation of the Steering Committee for the Italian Development and Cohesion Fund (FSC).

With the new plan of measures in the water sector (PNISSI), the MIT gave the green light for 418 projects worth €12 billion. The DPCM PNISSI, published in the Official Journal on 27 December 2024, provides for the adoption of the PNISSI for the planning of infrastructure and safety projects in the water sector. The plan also includes several measures adopted to fund the aforementioned

works, such as those included in the Extraordinary Reservoir Plan and the Excerpt concerning the water pipelines section. Furthermore, with Agriculture Decree Law 63/2024, converted by Law 101/2024 (Art. 11), urgent measures were provided to counter water scarcity as well as to fund initial urgent intervention. In a similar vein, on 31 December 2024 Decree Law “NRRP Emergencies” entered into force, introducing urgent measures to combat water shortages and to optimise and update water infrastructure. On 16 December, the law covering the Environment Decree Law was published, which included provisions concerning environmental protection, the simplification of authorisation procedures, and the circular economy.

Various measures were relevant for promoting the use of renewables, such as:

- the Suitable Areas Ministerial Decree (Environment MD of 21 June 2024), which governs the identification of suitable surfaces and areas for the installation of renewable plants to achieve the objectives set by the NIECP and the “Fit for 55” package, including in light of REPowerEU in line with the principle of technological neutrality;
- the FER2 Ministerial Decree (MD 19 June 2024) on the production of electricity from innovative renewable energy source (FER) plants or with high generation costs via an incentive system;
- the CER Decree (MASE Decree no. 414 of 7 December 2023) which introduced new incentives to support energy from renewable sources produced under self-consumption arrangements;
- Legislative Decree “Riordino FER”, concerning the reorganisation of renewable energy – Published in the Official Journal on 12 December and entered into force on 30 December 2024. The provision regulates the authorisation processes for the construction of renewable energy plants, specifically permit-exempt works, the simplified authorisation procedure (PAS), and the single authorisation (AU) mechanism. Furthermore, following parliamentary review, specific legislation was introduced for acceleration zones, regulating the authorisation procedures applicable to plants located in these areas and establishing a safeguarding clause. MASE Ministerial Decree “Admission to the Energy-Intensive Easing Scheme” – Published on 27 November 2024 and entered into the force the following day, this Decree establishes the terms and methods for presenting applications for admission of a sector or subsector into the easing scheme for energy-intensive sectors. Specifically, it provides that applications may be submitted to the Demand and Energy Efficiency Directorate of MASE by the following entities: A company that meets the consumption requirements and which, according to ARERA’s criteria, operates in one of the sectors or subsectors not included in Annex 1 to the EC Guidelines on State Aid for Energy; Trade associations representing sectors or subsectors not included in the same annex; MASE Ministerial Decree “Renewables Installation Resources and Regions” – signed on 4 December, published on the MASE website on 12 February and entered into force the following day. Implementing act of art. 4 of Decree Law 181/2023 (the “Energy Security Decree Law”) provides for the allocation of a share of the proceeds from ETS auctions to finance a fund aimed at supporting environmental and regional compensation and balancing projects, to be distributed among the regions for the adoption of measures to promote decarbonisation, sustainable development, and the acceleration and digitisation of authorisation procedures for renewable energy projects.

In Europe, the following legislative acts are of particular relevance:

- Directive (EU) 2024/1711 of the European Parliament and of the Council of 13 June 2024, amending Directives (EU) 2018/2001 and (EU) 2019/944 as regards improving the Union’s electricity market design;
- Regulation (EU) 2024/1747 of the European Parliament and of the Council of 13 June 2024, amending Regulations (EU) 2019/942 and (EU) 2019/943 as regards improving the Union’s electricity market design.

As regards the environment, please note the update of the EoW rules of the Ministry of the Environment regarding the termination of the waste classification of inert construction and demolition waste, as well as the update of the EU Protocol for the management of construction and demolition waste. At a domestic level, the new rules governing the emission trading system are also worthy of note. In terms of EU legislation, we also highlight Regulation 2024/1991 on “nature restoration”, which introduces a series of targets for Member States to restore degraded terrestrial, marine, forest and agricultural habitats to good condition. It should also be noted that infringement proceedings have been initiated against Italy for the incorrect transposition of Directive 2018/851/EU on waste, with regard to extended producer responsibility, ensuring high quality recycling, separate collection of hazardous waste, and the implementation of an electronic traceability system.

Climate change

Sensitivity to the evolution of climate change and its effects on the businesses managed is a well-established theme at international level, which is also reflected in a greater demand for information in the annual financial report. Specifically, ESMA, in its European Common Enforcement Priorities, highlighted that issuers should consider climate risks in the preparation of IFRS financial statements to the extent that they are significant regardless of whether or not these risks are explicitly provided for in the relevant accounting standards.

The Acea Group describes its considerations regarding actions attributable to mitigation of the effects of climate change as well as adaptation to climate change in the sustainability section of the non-financial statement, according to the content of the Corporate Sustainability Reporting Directive (CSRD).

The Acea Group has developed an integrated climate strategy that primarily centres on supporting climate change adaptation and mitigation targets by investing significantly to increase infrastructure resilience and security, to increase energy production from renewable sources, to improve energy efficiency, and to reduce greenhouse gas emissions. These targets are formalised in the 2024-2028 Group Sustainability Plan, which sets aside approximately €5.4 billion for projects related to environmental sustainability targets.

The sustainability strategy and action plan also incorporate the results of climate risk analyses conducted using the framework provided by the International Sustainability Board (ISSB) and the Group’s Enterprise Risk Management (ERM) method. This analysis aims to identify the physical risks, linked to extreme weather events and climate change over the long term, that may impact infrastructure and the company’s operations, and transition risks, linked to changes to the legislative framework, evolving consumer preferences, and the adoption of new low-carbon technologies.

When defining and implementing its strategy, Acea engages constantly with stakeholders, institutions and local communities, promoting awareness-raising and training activities to create a culture of sustainability, collaborating with research institutions to develop innovative solutions, and participating on national and interna-



tional round tables to help draw up effective environmental policies. Thanks to this integrated strategy, Acea has positioned itself as a key player in the ecological transition, showing a concrete commitment to climate action and to the promotion of a sustainable development model.

The main strategic elements adopted by Acea to pursue climate change risk mitigation include:

- increase in energy production from renewable sources, with a particular focus on solar, hydroelectric and wind power. In this context, Acea has implemented projects to develop new photovoltaic plants and to modernise existing hydroelectric plants, increasing their efficiency and production capacity. Furthermore, projects focused on biogas and biomethane production are being developed, aimed at optimising organic waste and treatment sludge.
- improving energy efficiency at the Group's plants and offices to improve the energy performance of its facilities, reduce resource use, and cut emissions. The most important initiatives include the adoption of smart technologies to manage water and electricity networks, the optimisation of industrial processes, and the use of energy storage systems to balance energy demand and supply;
- increase in the percentage of energy purchased with Guarantees of Origin and the production of renewable energy for self-consumption;
- increase in the quantity of green electricity sold to end customers and offsetting the methane gas volumes sold through the voluntary purchase of certified carbon credits.

Furthermore, the Group is continuing its commitment to reduce greenhouse gas emissions with a "Well below 2°C" target, in line with the trajectory set by the Paris Agreement. This commitment, which is certified by the Science-Based Targets initiative (SBTi), includes the following reduction targets by 2032, taking the year 2020 as the baseline: 56% reduction in direct Scope 1 emissions; 32% reduction in indirect Scope 2 emissions from purchased energy; 30% reduction in indirect Scope 3 emissions (indirect emissions deriving from gas sales). Furthermore, Acea is aiming to reduce Scope 1 and Scope 3 emissions related to the production and sale of electricity by 56%.

The following is a summary of the considerations made by management with reference to the aspects considered significant for the purposes of preparing the financial statements in the sectors of activity in which it operates.

For the short term horizon, considering the analyses carried out and the mitigation tools defined by the above-mentioned plans, the management has not identified any specific impacts of significant magnitude deriving from climate-related risks subject to consideration in the application of the accounting standards or requiring special disclosure. This is supported by the Group's constant commitment to pursuing the highest standards of service in all of its sectors of activity. This entails an ongoing commitment to the development of adequate infrastructures and the evolution of their management, with the application of technological innovation and digitalisation, as well as the preservation and protection of water resources, the development of electricity generation capacity from renewable sources, the energy efficiency of production processes, the pursuit of a circular economy approach, and the implementation of controls on commodities supplied to customers.

With reference to the medium/long term, the management, while continuing to define updated development plans, does not foresee

any further specific considerations to be taken into account in the application of the accounting standards for the preparation of the financial statements and the relative disclosures.

It should also be noted that the Group's main companies began the process to identify priority physical risks in 2020-2021, analysing them through climate scenarios that consider the regions in which the assets exist, with medium to long term projections, and considering the economic impacts resulting from the increased probability of extreme events. The main physical risks identified are drought and water stress (for water systems), extreme rainfall and flooding (for power distribution networks), and lightning strikes (for power generation assets).

For example, the fully consolidated company Areti assesses and quantifies the effects of climate change (heat waves/drought and flooding) on its assets and the mitigation projects to implement in the Resilience Plan approved by the Regulatory Authority For Energy, Networks and Environment (ARERA). Management has assessed that these investments do not reduce or modify the expectation of the economic benefits associated with the use of the assets recorded under tangible fixed assets, as they have regulatory relevance and are therefore subject to specific reimbursement mechanisms. Therefore, a critical review of the useful life of fixed assets on the balance sheet was not necessary.

With specific reference to the sale of commodities, the Group monitors the useful life of the customer base and the related accounting assessments as a potential effect of reputational risk.

With reference to the existence of risks of asset impairment, management has considered that, although actions to mitigate/adapt to climate risk entail the need to plan for the maintenance/upgrading of plants in order to guarantee the quality of service, the safety of managed assets and the maintenance of their performance, these activities are in any case considered within the scope of the cash flow forecast used as the basis for determining value in use.

More specifically, impacts were identified in terms of sensitivity analysis carried out on CGUs, companies and systems by developing the risk analysis, considering the main external variables indirectly impacted by climate change issues (such as the production price index, energy price index and gas price index), potentially able to impact the relevant economic variables (EBITDA). Trends in raw material purchase costs along with hedging derivatives require a careful policy of monitoring requirements and price hedging. Trends in the cost of commodities as a result of the effects of climate change could make certain sales contracts costly. In addition, the unavailability of commodities could make cash flow hedges from highly probable future transactions ineffective.

Finally, with particular reference to regulated sectors, the presence of chronic physical risks could lead to a reduction in service quality resulting in liabilities for penalties. Specifically, extreme events such as floods can cause asset damage and service disruptions (equipment failures, blackouts, etc.) or, for the water network, overflowing of drains connected to wastewater systems and can cause turbidity of water springs. Such impacts may affect the provision of services in compliance with applicable laws and regulations, resulting in the risk of financial penalties. As indicated previously, also thanks to risk mitigation projects implemented, the potential economic/financial impacts associated with physical risks have been hypothesised as unchanged.

Geopolitical situation

Overall, 2024 was characterised by a backdrop of increasing economic and geopolitical fragmentation, requiring businesses to pay close attention to global scenarios and risk management strategies. The economic situation was influenced by several geopolitical and economic factors: the Russia-Ukraine war, despite the absence of any conclusive developments, continued to affect the global economy, with growing challenges for Ukraine and a possible move towards diplomatic solutions; meanwhile, relatively “newer” conflicts, such as the war between Israel and Hamas, progressively escalated throughout 2024, at huge humanitarian cost and with the risk of spreading within the region to also involve Hezbollah in Lebanon.

Currently, after the shocks of recent years, the global economy has continued to normalise, with most of the major imbalances becoming more even:

- 2024 saw a major rebalancing on the energy markets: Brent settled at around 80 USD/bbl, supported by weaker demand especially in China and a surplus of supply that counterbalanced geopolitical tensions, including the attacks by the Houthis in the Red Sea, which had a limited impact on the stability of global trade. The National Single Price (NSP) of electricity in Italy fell to €88/MWh in March 2024, while nonetheless remaining well above the pre-crisis levels of 2019 (when the average was around €52/MWh).
- At a macro-economic level, in its World Economic Outlook the International Monetary Fund predicted a continued slowdown in economic growth, with increasingly wide regional differences: the US has maintained a consistent pace thanks to internal consumption, while Europe has recorded weaker growth, and China has been faced with a slowdown linked to the real estate crash which has had a negative impact on internal demand.
- Inflation in the Eurozone has remained limited but with signs of increasing, particularly with regards to energy prices, while core inflation proved to be relatively stable (energy prices at the point of consumption rose by 1.8% year-on-year as at January 2025, while core inflation remained stable at 2.7%). The central banks continued to closely monitor inflation, adopting monetary policies aimed at maintaining prices at a stable level.

The geopolitical and macroeconomic context has continued to represent a critical variable for businesses, with impacts both on asset valuations and budgeting strategies. In this regard, the Public Statement issued by ESMA on 28 October 2022, which analysed the effects of the Russian invasion of Ukraine on financial reports, remains a key reference for impairment testing of non-financial assets. The change of strategic, commercial and financial approach of companies following the continuation of the conflict and the exacerbation of the global geopolitical situation considerably increased the risk of significant impacts on the carrying amount of balance sheet assets and liabilities. The ESMA therefore recommends that regulated companies review and update the assumptions and hypotheses underlying the calculation of prospective flows, ensuring consistency between business strategies and market conditions. In particular, the recoverable value of non-financial assets should be estimated considering all sources of information, both internal and external, and taking into account the increased global uncertainty. To confront this scenario, the use of forecasting models based on multiple scenarios is advised, supported by reasonable and realistic parameters and estimation inputs that reflect market risks, geopolitical tensions, and inflation impacts. A key element of the impairment testing process is the correct determination of the discount rate, which must reflect current market conditions as well as risks

specific to the assets being valued, excluding any risk already incorporated into the forecast flows. The ESMA also underlines that increases to interest rates and inflation can have a significant impact on the discount rate used to estimate the recoverable value of the assets. Consequently, it is essential to ensure consistency between the macroeconomic scenarios adopted and the balance sheet valuations in order to guarantee the transparency and reliability of financial disclosures.

Development and technological innovation

For Acea, collaborations, partnerships and business systems represent a crucial driver for the positioning and improvement of the Acea Group in the innovation ecosystem, as well as helping to open new channels offering access to ideas, business and technological opportunities, academic research and new talent.

Acea participates in numerous partnerships and cooperative agreements linked to innovation; in fact, for several years the Group has actively participated in the Italian and international innovation ecosystem, sharing best practices and experiences.

In this regard, we note: **ROAD** (Rome Advanced District), a project developed from an ENI concept, in collaboration with Autostrade per l'Italia, Cisco, Ferrovie dello Stato, Bridgestone and NextChem, with the aim of creating an advanced knowledge and research centre to develop solutions for a sustainable future; **CTE** (Emerging Technology House) of Rome, a living lab within the Tiburtina station, created by Roma Capitale with co-financing from the MISE and other corporate partners of the CTE with the aim of supporting new players in the innovation ecosystem; **Zero**, a startup accelerator born from the collaboration between the National Network CDP Venture Capital SGR, Zest and ELIS to support the best startups in the cleantech field. This initiative offers new businesses the skills and tools necessary to overcome the challenges of the sector, as well as the possibility to develop concrete cases of use, validating their solutions in real-life contexts and testing them in industrial environments. This approach accelerates technological transfer and allows us to be at the cutting edge of innovation, identifying new opportunities to grow the businesses of the Acea Group. **Fondazione Rome Technopole**, a foundation that represents the innovation ecosystem in Lazio, bringing together universities, research centres, the Lazio Region, the Municipality of Rome, the Chamber of Commerce, Unindustria and innovative companies. Finally, in collaboration with **NTT Data**, a Tokyo-based multinational, an annual Open Innovation programme has been established with the goal of launching a challenge to identify innovative sewer management systems to confront the unpredictability of adverse weather events.

Development of personnel

For every organisation people represent a fundamental asset to remain competitive in a changing economic and social context. Acea listens to the needs of its people and develops a People Strategy, structured into projects and initiatives.

Every year Acea prepares an Equality & Care Plan that identifies goals and associated projects for diversity and inclusion, wellbeing, and corporate welfare. In 2024, Acea was included by the *Financial Times* and *Statista* in the special list of “Europe’s Diversity Leaders 2024” and for the fourth consecutive year received *Top Employers Italy Certification*, official recognition of the excellence of the company’s HR policies and strategies, and implementation of the same. Acea has also developed an integrated corporate welfare system, based on listening to employees and their needs and structured around six fundamental pillars: health, corporate wellness, family care, income support services, complementary social security and



solidarity. Numerous initiatives were launched to implement the pillars of welfare, such as preventive health campaigns, mental and physical well-being support and parenthood support services, as well as income support services through the signing of various corporate agreements and participation in various solidarity initiatives. These areas are shared with a Bilateral Committee, consisting of representatives from Group companies and the Unions.

As part of its training processes, the Group has established the Acea Business School Academy that provides courses on managerial, position, governance and digital issues, serving the entire group and designed with qualified partners (universities, business schools, research centres, etc.). In particular, the “Future Connections” webinar series was launched, with eight episodes focused on optimising the use of AI within the Group and ensuring close correlation between the evolutions of the Group’s leadership and organisational mindset. The first four webinars were delivered in 2024 and were attended by over 5,000 people from all of the Group’s companies. Thanks to the high level of interest, the LIA (Laboratorio Intelligenza Artificiale) was launched, a learning community project focused on piloting the use of AI in company processes.

The Acea Group was also awarded a public contract for Maternity projects, which will therefore fund new services to support working women during maternity, for effective support and reintegration into the work environment. Furthermore, the Corporate Governance Code was signed in which the Acea Group confirmed its commitment to promote a fair and sustainable work environment, valuing the contribution of female workers and supporting their needs during the different stages of life, with a particular focus on maternity leave. The Acea Group has always been committed to implementing welfare policies and strengthening initiatives in favour of working mothers, including through the adoption of the “Charter of the Person and Participation” and UNI/PDR 125:2022 certification, renewed for 2024.

Sustainable management of the supply chain

Aware of the positive contribution that sustainable supply chain management can offer to protecting the environment, Acea is committed to defining purchasing methods that include intrinsic characteristics of the products and aspects of the process that limit environmental impact and foster initiatives aimed at minimising waste, reusing resources and protecting the social aspects involved in the procurement of goods, services and works. In tackling this green procurement issue, Acea has been using the minimum environmental criteria in force for several years, including non-compulsory bonus aspects in its tender procedures.

Acea has always been at the service of the community and the public and therefore puts a high priority on open exchanges with the supply chain to be increasingly efficient in responding to local demands.

The creation of a sustainable chain depends on each company monitoring itself, as well as on agreements between all members in a given chain. Cooperation allows for more transparent and clear relationships, helping to create shared value:

- EcoVadis assessment;
- Green purchases;
- Reputational due diligence;
- Management Systems – Supply Chain Verifications;
- Vendor ratings;
- Sustainability and safety;
- Cyber risk assessment.

Health and safety in the workplace

Acea carries out constant awareness campaigns on the subject, with the aim of profoundly affecting the widespread dissemination of a culture of safety involving all its people. It has implemented an advanced risk assessment model, not to mention control and mitigation measures. Acea has also launched a number of initiatives to raise awareness of and involvement in the issues discussed above with its contractors and sub-contractors, key business partners throughout the entire value chain.

Safety seen as strategy, and not only as compliance, is based on the possibility of measuring and monitoring the results in a managerial approach. In the context of the process of continuous improvement that it has undertaken, oriented to the prevention and reduction of injuries, Acea provides all its people with a valid and effective instrument for the purposes of active participation in analysing the trend of indicators; this aspect is often considered a measure of the level of maturity of the culture of safety and the culture of improvement in an organisation. Improvement actions based on the realisation that there are margins to pursue (for example actions to reduce the proportion of some types of injury) and consolidation actions (for example maintaining positive results, growing organisational resilience), represent the natural process of continual improvement in the field of workplace health and safety.

National Recovery and Resilience Plan (NRRP) Grants

As already highlighted, the Acea Group has been called upon to play a key role in Italy’s growth within the context of the definition and implementation of the National Recovery and Resilience Plan.

The National Recovery and Resilience Plan (NRRP) is a package of investments and reforms put together by the Italian government and presented to the European Commission to draw on the support provided for under the Recovery and Resilience Facility (RRF), established by Regulation (EU) 2021/241 as a new financial instrument to support recovery among Member States.

To date, Italy has received the largest grant for the NRRP, with the Council of the European Union approving, with implementing decision 10160/21 of 13/07/2021, a total allocation of €191.5 billion. Precise targets and milestones are set for each investment and reform, which must be met in order for the funds to be disbursed. The original NRRP states that 40% of the resources will be allocated to regions in the South of Italy, 37% to ecological transition measures, and 25% to the digital transition. The annex to the decision defines, for each investment and reform, the precise targets and milestones that must be met in order for the funds to be disbursed. The fulfilment of this condition is verified on a six-monthly basis, from the second half of 2021 to 30 June 2026.

On 8 December 2023, the revision to the Italian NRRP (Implementing Decision 16051/23) was approved, introducing a new chapter on the REpowerEU project aimed at confronting the energy crisis and the geopolitical tensions caused by the war in Ukraine. The restructured plan provides for investments of €194.4 billion and includes 66 reforms and 150 investments, structured into 618 targets and milestones. In this regard, 39% of the funds must be used to support ecological transition projects. To date, €71.78 billion have been allocated in subsidies and €122.60 billion in loans.

In the course of 2024 the NRRP was further amended, most recently with the Decision of the Council of the European Union (15114/24) adopted on 18 November 2024 to adapt the plan to meet new implementation needs.



In the last three years, the Acea Group has received grants under the National Recovery and Resilience Plan (NRRP), aimed at supporting the investments and strategic initiatives set out therein.

In this context, Acea Group companies have benefited from a total of €0.89 billion in NRRP funding, of which:

- €0.70 billion of which €0.55 billion for water infrastructure (M2-C4-I4.1 and M2-C4-I4.2) and €0.15 billion for drainage and treatment systems (M2-C4-I4.4);
- €0.174 billion for electricity network resilience (M2-C2-I2.1) and smart grid (M2-C2-I2.2) projects.

The disbursement of NRRP grants is subject to the fulfilment of specific conditions established by the competent authorities, such as:

- the achievement of the targets of the funded project;
- the regular reporting of expenditure.

To date, the Acea Group has met all applicable conditions and continues to closely monitor changes to the regulatory and administrative landscape regarding the implementation of the NRRP, in order to guarantee the correct management and reporting of the funds received.