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RESOLUTION OF 28 MARCH 2019

114/2019/R/GAS

**TARIFF REGULATORY CRITERIA FOR THE NATURAL GAS TRANSMISSION AND
METERING SERVICE FOR THE FIFTH REGULATORY PERIOD (2020-2023)**

**THE ITALIAN REGULATORY AUTHORITY FOR ENERGY,
NETWORKS AND ENVIRONMENT**

In the 1058th bis meeting of 26 March 2019

UPON CONSIDERATION OF:

- Directive 2009/73/EC of the European Parliament and of the Council of 13 July 2009 concerning common rules for the internal market in natural gas (hereinafter Directive 2009/73/EC);
- Directive 2014/94/EU of the European Parliament and of the Council of 22 October 2014 on the deployment of alternative fuels infrastructure;
- (EC) Regulation 713/2009 of the European Parliament and of the Council of 13 July 2009, establishing an Agency for cooperation between national energy regulators;
- Regulation (EU) 715/2009 of the European Parliament and of the Council of 13 July 2009 on conditions for access to the natural gas transmission networks;
- Regulation (EU) 347/2013 of the European Parliament and of the Council of 17 April 2013 on guidelines for trans-European energy infrastructure;
- Commission Regulation (EU) No 312/2014 of 26 March 2014 establishing a Network Code on Gas Balancing of Transmission Networks;
- Commission Regulation (EU) 2017/459 of 16 March 2017 establishing a network code on capacity allocation mechanisms in gas transmission systems;
- Commission Regulation (EU) 2017/460 of 16 March 2017, establishing a network code on harmonised transmission tariff structures for gas (hereinafter the TAR Network Code);
- Regulation (EU) 2017/1938 of the European Parliament and of the Council of 25 October 2017 concerning measures to safeguard the security of gas supply;
- Law 481 of 14 November 1995 as amended;
- Legislative Decree 164 of 23 May 2000 as amended;
- Law 239 of 23 August 2004 as amended;
- Legislative Decree 93 of 1 June 2011 as amended;
- Legislative Decree 257 of 16 December 2016;
- Resolution 137/02 as amended of the Italian Regulatory Authority for Energy, Networks and Environment (hereinafter ARERA) of 17 July 2002;

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- ARERA Resolution of 14 November 2013, 514/2013/R/GAS (hereinafter 514/2013/R/GAS) and Annex A as amended;
- ARERA Resolution of 18 September 2014, 446/2014/R/COM;
- ARERA Resolution of 2 December 2015, 583/2015/R/com (hereinafter 583/2015/R/com) and Annex A as amended (TIWACC);
- ARERA Resolution of 23 December 2015, 654/2015/R/eel (hereinafter 654/2015/R/eel) and Annex A as amended (TIT);
- ARERA Resolution of 24 March 2016, 137/2016/R/com and Annex A as amended (TIUC);
- ARERA Resolution of 16 June 2016, 312/2016/R/gas and Annex A as amended (hereinafter TIB);
- ARERA Resolution of 23 February 2017, 82/2017/R/GAS (hereinafter 82/2017/R/GAS);
- ARERA Resolution of 3 August 2017, 575/2017/R/GAS (hereinafter 575/2017/R/GAS) and Annex A as amended (hereinafter RTTG 4PRT);
- ARERA Resolution of 28 September 2017, 666/2017/R/GAS (hereinafter 666/2017/R/GAS);
- ARERA Resolution of 19 October 2017, 689/2017/R/GAS (hereinafter 689/2017/R/GAS);
- ARERA Resolution of 30 November 2017, 794/2017/R/gas (hereinafter Resolution 794/2017/R/gas);
- ARERA Resolution of 5 April 2018, 208/2018/R/GAS (hereinafter 208/2018/R/GAS);
- ARERA Resolution of 10 May 2018, 280/2018/R/gas;
- ARERA Resolution of 1 June 2018, 306/2018/R/gas;
- ARERA Resolution of 27 September 2018, 468/2018/R/GAS (hereinafter 468/2018/R/GAS) and Annex A;
- ARERA Resolution of 6 December 2018, 639/2018/R/com (hereinafter Resolution 639/2018/R/com);
- ARERA's consultation document of 8 June 2017, 413/2017/R/GAS (hereinafter consultation document 413/2017/R/GAS);
- ARERA's consultation document of 01 March 2018, 114/2018/R/GAS (hereinafter consultation document 114/2018/R/GAS);
- ARERA's consultation document of 29 March 2018, 182/2018/R/GAS (hereinafter consultation document 182/2018/R/GAS);
- ARERA's consultation document of 21 June 2018, 347/2018/R/GAS (hereinafter consultation document 347/2018/R/GAS);
- ARERA's consultation document of 02 August 2018, 420/2018/R/GAS (hereinafter consultation document 420/2018/R/GAS);
- ARERA's consultation document of 20 September 2018, 462/2018/R/GAS (hereinafter consultation document 462/2018/R/GAS);
- ARERA's consultation document of 16 October 2018, 512/2018/R/GAS (hereinafter consultation document 512/2018/R/GAS);

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- the Report of the *Agency for the Cooperation of Energy Regulators* (hereinafter ACER) of 14 February 2019 containing the “*Analysis of the Consultation Document on the Gas Transmission Tariff Structure for Italy*” (hereinafter the ACER Report).

GIVEN THAT:

- through Resolution 514/2013/R/GAS, ARERA established the criteria for calculating the natural gas transmission and dispatching tariffs for the fourth regulatory period 2014-2017 (4PRT);
- through Resolution 583/2015/R/COM, ARERA approved the TIWACC and defined the criteria for calculating and updating the weighted average cost of capital (WACC) for electricity and gas sector infrastructure services for the period 2016-2021; pursuant to Articles 5 and 6 of the TIWACC, the basic parameters of the WACC shared by the electricity and gas sectors and the gearing level were updated, for the three-year period 2019-2021, through Resolution 639/2018/R/COM, while the level of the coefficient β^{asset} , which reflects the systematic risk of an asset, is calculated under the scope of the tariff criteria review process for each infrastructure service; the same Resolution 639/2018/R/COM established a weighted average cost of capital for the gas transmission service of 5.7% for 2019;
- through Resolution 82/2017/R/GAS ARERA launched proceedings for the formulation of provisions for natural gas tariffs and quality of the transmission service, for the fifth regulatory period (5PRT);
- ARERA used consultation document 413/2017/R/GAS to outline the main courses of action for reforming the gas transmission tariff regulatory criteria for 5PRT;
- through Resolution 575/2017/R/GAS, ARERA arranged 5PRT to be valid from 2020 in order for there to be a reasonable period of time to review the tariff criteria by virtue of the innovative possibilities of the TAR Network Code in relation to the existing rules extending the regulation criteria in force for 4PRT for the years 2018 and 2019 (the so-called transition period) taking into account the results of the consultation;
- through Resolution 794/2017/R/GAS, ARERA updated the RTTG 4PRT, in order to include the rules on publication requirements pursuant to Chapter VIII of the TAR Network Code;
- through consultation document 182/2018/R/GAS, ARERA published the initial guidelines on the reference price methodology and the cost allocation criteria for 5PRT;
- through consultation document 347/2018/R/GAS, ARERA published the initial guidelines on the criteria for calculating the allowed revenues for 5PRT;
- through consultation document 420/2018/R/GAS, ARERA published the initial guidelines on the quality and innovation of the natural gas transmission service for 5PRT;
- through the consultation document 512/2018/R/GAS, ARERA illustrated the final guidelines on the criteria for calculating the allowed revenues for transmission services, the reference price methodology and cost allocation criteria for the

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transmission service, for 5PRT, establishing the deadline for sending comments as 17 December 2018, and: i) as an appendix to consultation document 512/2018/R/GAS an executive summary and a template containing the information necessary to accomplish the information requirements pursuant to the TAR Network Code were published in English; ii) ARERA instructed the main TSO to make a full version of the document available in English, together with the simplified tariff model;

- the same consultation document 512/2018/R/GAS was also submitted for consultation to the directly connected Member States, for the application of the provisions of Article 28 of the TAR Network Code with regard to the possibilities of establishing multipliers, seasonal factors and the level of discounts pursuant to Article 9, paragraph 2 and Article 16 of said TAR Network Code;
- the comments that were received in response to the consultation documents in the previous points were made available on ARERA's website;
- on 17 January 2019 ARERA published and, at the same time, sent to ACER, a summary in English of the comments received under the scope of the consultation.

ALSO GIVEN THAT:

- Article 27, paragraphs 2 and 3 of the TAR Network Code foresees that, within two months of the end of the final consultation, ACER should publish and send the national regulatory authority and the European Commission the conclusions of its analysis of the final consultation document with regard to the publication of the information pursuant to Article 26, paragraph 1 of the TAR Network Code as well as the conformity of:
 - a) the reference price methodology in relation to the requirements of Article 7 of the TAR Network Code;
 - b) the transmission tariffs applied to the transmission volumes in relation to the criteria pursuant to Article 4, paragraph 3 of the TAR Network Code;
 - c) the non-transmission tariffs in relation to the criteria pursuant to Article 4, paragraph 4 of the TAR Network Code;
- on 14 February 2019, ACER announced its conclusions with regard to the previous point, publishing the ACER Report containing the analysis of the proposals contained in the consultation document 512/2018/R/GAS;
- pursuant to Article 27, paragraph 4 of the TAR Network Code, within five months following the end of the final consultation, the national regulatory authority shall take and publish a motivated decision on all items set out in Article 26, paragraph 1, of the TAR Network Code; this provision assumes that this information is available at the time of the final decision.

ALSO GIVEN THAT:

- with regard to the **criteria for calculating the allowed cost**, in the consultation document 512/2018/R/GAS, ARERA also proposed, among other things:
 - a) confirming the proposal of defining a regulatory period of 4 years;

- b) as a continuation of the criteria in force, confirming the general principles for the allowance of capital costs and operating costs, which involve incentive regulatory schemes limited to operating costs and rate of return regulatory schemes with regard to capital costs, while also foreseeing the introduction of preparatory provisions for a possible transition to cost allowance criteria based on total expenditure (totex), such as greater coordination between tariff regulation and the evaluations of the ten-year transmission network development plans, the launch of specific investment monitoring activities and investment spending efficiency incentive trials;
- c) confirming the dispositions introduced through Resolution 689/2017/R/GAS which include the admission to the tariff allowance of the network development investment within the monetized benefits if the cost-benefit analysis developed according to criteria set out in Resolution 468/2018/R/GAS proves that benefits for national gas system are lower than the costs;
- d) confirming the allowance, the tariffs for each year t , of the pre-final value of assets relating to the previous year $(t-1)$;
- e) recognising the financial expenses related to assets under construction at a remuneration rate calculated where the ratio between debt capital and equity is 4;
- f) for the purpose of calculating the weighted average cost of capital for 5PRT, following the analyses conducted by ARERA offices on a representative sample of businesses, keeping the parameter β^{asset} essentially in line with the current level (equal to 0.364), not having identified a change, in the most recent years, in the average sector risk that justifies a change to the parameter;
- g) confirming the general criteria for calculating the allowance to cover depreciation, at the same time ensuring that the main Transmission System Operator (TSO) prepares a monitoring report on the status of the existing infrastructures, identifying any critical areas for the purpose of safety, specifically with regard to fully depreciated infrastructures and the consequent actions necessary for maintaining safety, demonstrating the efficiency of the solutions identified;
- h) for the purpose of calculating the allowed operating cost, taking 2017 as the base year, evaluating any increases in specific cost items already finalised for 2018 and recognising a share of the greater/lesser efficiency achieved during 4PRT (compared with the targets set by ARERA) for the transmission businesses, calculating the X-factor with the sole objective of reabsorbing this greater/lesser efficiency during 5PRT;
- i) overcome the in-kind allowance of network losses, own-gas consumption, and unaccounted-for gas (GNC), ensuring that transmission businesses procure the necessary quantities under the scope of the centralised natural gas market; additionally:
 - with specific reference to network losses, evaluating the review of efficient emission factors in order to incentivise the reduction of loss level at transmission network delivery points;

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- with specific reference to GNC, ensuring that the allowed quantity is updated in each year of the regulatory period based on the average annual value effectively recorded in the last four years available, excluding the maximum and the minimum values recorded;
- j) introducing a specific mechanism for the allowance of Emission Trading (ETS) permit procurement costs recognising a quantity of Emission Trading permits to transmission businesses calculated on a standard-based approach and neutralising the associated price risk;
- k) only considering the costs related to acquisition of delivery point capacity for hourly modulation in the allowed costs for the operational balancing of the network to TSOs, excluding the costs relating to delivery point, injection point and space services;
- l) for the gas transmission metering service, from a continuity perspective, confirming the general criteria for calculating the allowed cost for the transmission service;
- under the scope of the comments received in response to consultation document 512/2018/R/GAS with regard to the criteria for calculating the allowed cost:
 - a) with reference to the regulatory period, the opportunity of confirming a four-year period was highlighted or, alternatively extending the term to five years;
 - b) with reference to the cost allowance criteria, the opportunity of preceding a possible transition of the cost allowance criteria with approach based on total expenditure (totex) allowance and a greater focus on output by an adequate trial period;
 - c) with reference to the value of the parameter β^{asset} the majority of transmission service users and the trade associations representing them have endorsed the approach of keeping the value of this parameter in line with the current level; in spite of this, a user has shown how this value is excessively high because the sample used for the estimate also includes a business with specific characteristics compared with the rest of the sample; other parties, mainly transmission businesses, on the other hand, believe that an adjustment of the β^{asset} of 0.4 is necessary on account of both uncertain growth in the gas transmission sector which will not be adequately picked up by other WACC parameters and critical factors in the methodological approach followed for calculating the β^{asset} (such as the deleveraging method), which will not make it possible to evaluate the average sector risk correctly;
 - d) with regard to the treatment of assets under construction, it was suggested that the WACC should be applied rather than an ad hoc return rate;
 - e) with reference to the calculation of the depreciation rate, the following theories were put forward:
 - (i) introducing, in addition to the category of "Other tangible fixed assets" with a useful regulatory life of 10 years, categories of assets relating to tangible fixed assets with lower conventional periods, of 5 and 3 years, also in order to include the new provisions introduced by IFRS 16 with regard to the

- accounting treatment of leases for tariff purposes which should be adopted from 1 January 2019;
- (ii) with regard to the treatment of fully depreciated assets and interventions for security, recognising any capital losses related to the disposal of non-fully depreciated assets or, alternatively, making provision for the special allowance of investments made in order to allow the extension of the operating period of the infrastructure in relation to the regulatory life and relating to infrastructures subject to disposal that are already fully depreciated, introducing, for example, a new class of asset for these investments ("upgraded investments") with a useful life of 10 years; alternatively, recognising cost ratios for keeping fully depreciated assets operational;
 - f) with reference to the calculation and updating of the allowed operating costs, a proposal was submitted for 2018 to be considered as the base year for effective operating costs or, alternatively an average of the years 2015-2017; some parties did not agree with the opportunity of applying a split of the lesser efficiency compared with the targets defined by ARERA for 4PRT, believing that if the transmission businesses have not reached the efficiency targets the effective costs should be allowed; two parties proposed that the reabsorption of the greater/lesser efficiencies achieved during 4PRT should take place over a period of eight years;
 - g) with reference to the treatment of network, own-gas and unaccounted-for gas losses, a request was made to neutralise both the price risk and the volume risk, possibly evaluating the introduction of reward mechanisms aimed at incentivising containing expenditure;
 - h) with reference to the costs associated with Emission Trading permits, there was a proposal, for the purpose of quantifying the permits needed in a given year, to use an average of previous periods, and not a proposal from the transmission business, guaranteeing the neutrality of the transmission businesses, both in terms of price risk and volume risk;
 - i) with reference to the balancing service revenue, it was stated that the costs associated with storage capacities should be included among the operational balancing costs;
- additionally, with reference to the methods for acquiring the gas quantities to cover own-gas, losses and unaccounted-for gas:
 - a) there is a neutrality mechanism under the scope of the TIB for the Balancing Manager (hereinafter the RdB) in relation to the onset of differences between the planned and effective quantities in relation to unaccounted-for gas, own-gas and network losses;
 - b) consultation document 462/2018/R/GAS presented amendment proposals for the above-mentioned neutrality mechanism, in line with the proposal on giving the RdB the task of procuring not only the quantities to cover the difference between the quantities injected into the distribution system and those withdrawn by the end users which it serves (*delta^{IO}*), but also those necessary to cover own-gas, losses, unaccounted-for gas and anticipated line-pack changes; specifically, the

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guidelines illustrated in the consultation document include the neutralisation of the risk associated with the differences between the allowed price to cover these quantities and the actual procurement price;

- the provisions introduced by IFRS 16 on the accounting treatment of leases, in force since 1 January 2019, involve the recording of the right of use of the asset that is the subject of the lease agreement in the balance sheet assets and the offsetting item is the recording, at the same time, of a debt in the liabilities and a consistent reduction of the operating cost level, all things being equal; this requires an adjustment of the permitted operating cost level for the tariff allowance.

ALSO GIVEN THAT:

- with regard to the **incentivisation criteria for infrastructure development**, in the consultation document 512/2018/R/GAS, ARERA also proposed, among other things, to:
 - a) exceed the input-based incentivisation criteria based on increases in the return rate founded on compliance with pre-defined types of investment, introducing more selective infrastructure development and output-based incentive approach;
 - b) in a step-by-step approach, continue to apply the increases in force in the 2018-2019 transition period, equal to 1% for a duration of 10 years, to the investments that become operational in the first part of 5PTY (the years 2020-2021), and have a benefit/cost ratio developed in line with the criteria pursuant to Resolution 468/2018/R/GAS HIGHER THAN 1.5;
 - c) safeguard the incentivising effects on investments that have become operational until 2019 in compliance with the regulation criteria in force in the year the investment became operational;
 - d) on a trial basis, applying an incentive, for the purpose of calculating the increase in the return rate, to the efficiency of capital costs requiring the increase in the return rate to be allowed at the minimum value between the investment cost actually incurred and the estimated investment cost, in accordance with the most recent plan;
 - e) introduce specific measures that incentivise the attainment, by transmission businesses, of EU public contributions to cover infrastructure costs;
- under the scope of the comments received in response to consultation document 512/2018/R/GAS with regard to the criteria for incentivising infrastructure development, the following opportunities were highlighted:
 - a) considering output-based incentives as complementary to input-based incentives and not as their replacement;
 - b) arranging a period of 12 years for the application of the additional return of 1%, similar to the one planned for investments that have become operational in the transition period 2018-2019, rather than 10 years;
 - c) not requiring that the incentives are applied to the lower value between the actual investment cost and the estimated investment cost; some operators have also

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- proposed that, if there is a difference between the planned investment costs and the actual costs, a lower WACC will be applied to the actual investment cost;
- d) not providing any incentive for transmission businesses to obtain national and EU public contributions for the construction of infrastructures or, alternatively, providing a lower value; transmission businesses, on the other hand, have pointed out how an incentive of 10% of the contribution would not be sufficient.

ALSO GIVEN THAT:

- with regard to the **criteria for calculating the charges for the transmission service**, in the consultation document 512/2018/R/GAS, ARERA proposed, among other things, to:
 - a) include the regional network under the scope of the reference price methodology, because both the national network and the regional one meet the requirements of the TAR Network Code for the definition of transmission services, namely a service in which the costs are created by the (technical or contractual) capacity cost and distance drivers and are related to the infrastructure investment and the operation of said infrastructure; in this regard, for the purpose of the consultation document 413/2017/R/GAS, ARERA highlighted:
 - (i) the opportunity that some of the regional networks are included, without prejudice to the necessary regulatory changes, in the distribution concessions, because they have similar technical and functional characteristics;
 - (ii) the possibility that the inclusion of the regional networks in the scope of application of the reference price methodology produces a reallocation of the costs that could conflict with the principles of the TAR Network Code, specifically with regard to the objective of preventing undue cross-subsidisation and guaranteeing that cross-border trade is not distorted;
 - b) adopting a revenue distribution between the ratio to be recovered through tariff components applied to the capacity and the ratio to be recovered through tariff components applied to volumes (commodity) which attributes the allowed revenues to cover capital costs and for the operational balancing of the network to capacity revenue and those covering operational costs and costs related to own-gas, losses, unaccounted-for gas and Emission Trading permits to commodity revenue;
 - c) adopting a revenue distribution between the ratio to be recovered through tariff components applied to entry points and exit points equal to 28/72, attributing the entry points a revenue ratio equal to 40% of the national network revenue and the exit points a revenue ratio equal to the sum of 60% of the national network revenue and 100% of the regional network revenue; the value of 40% attributed to the entry points was also calculated taking into consideration the level of use recorded in the latest years of the transmission capacity associated with these infrastructures, as measured by the maximum daily capacity used at each national network entry point;

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- d) adopting the capacity-weighted distance (CWD) methodology as the reference price methodology pursuant to Article 6 of the TAR Network Code, as described in Article 8 of the TAR Network Code;
- e) ensuring that the tariff components applied to the capacities are applied to the capacities allocated at the entry points, the exit points to storage facilities, the delivery points and the exit points connected with foreign systems, thereby overcoming the need to make capacity allocations at national network exit points to withdrawal areas;
- f) applying the following adjustments to the charges resulting from the CWD methodology:
 - (i) the application of a discount to the transmission charges relating to storage facilities of 50% or the minimum possible value pursuant to the TAR Network Code;
 - (ii) the multiplication of the charges by a constant (rescaling) in order to guarantee that the target revenues are covered in relation to the planned allocation capacities, without considering the capacities subject to restructuring over a period of time for the transmission rights (reshuffling) pursuant to Resolution 666/2017/R/GAS;
 - (iii) the equalisation of the charges applied to all delivery points;
 - (iv) the application, in line with the principles of the TAR Network Code, which identify cost as one of the main drivers in distance, of a reduction in the exit charge for delivery points located less than 15 kilometres from the national network;
- g) ensuring that the commodity charge CV is applied to the quantities of gas withdrawn from the network at the network delivery points, the exit points to storage facilities and the connection points with foreign facilities;
- h) introducing a new commodity charge (CV_{FC}) aimed at recovering the sums relating to the revenue correction factors applied, in line with the provisions of the TAR Network Code, to the delivery points and to the exit points to storage facilities, to be updated on an annual basis;
- under the scope of the comments received in response to consultation document 512/2018/R/GAS with regard to the criteria for calculating the transmission service charges, the following opportunities were highlighted:
 - a) excluding the operational balancing service and ancillary services from the scope of the transmission service or, alternatively recovering the related costs by applying the commodity charge;
 - b) allocating the transmission costs, as a priority, to the tariff components applied to the capacity rather than to those applied to volumes, in order to avoid penalising gas consumption customers with a high load factor; a proposal was also submitted to recover fixed operating costs through capacity tariff components;
 - c) using the technical capacity in place of the planned allocation capacity as a driver for calculating the capacity charges in order to eliminate the volatility of the charges resulting from allocation fluctuations;

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- d) with regard to the scope of application and the driver of the charge for covering variable costs:
 - (i) excluding the application of the commodity charge to flows towards storage;
 - (ii) applying the commodity charge to physical flows only, excluding commercial countertrading (for example in the case of exports);
 - (iii) considering the annual volume estimates with reference to the year t , formulated by the main TSO and subject to approval by ARERA as the tariff drivers in place of the historical data for the year $t-2$ which could incorporate particular contingent situations or not considering demand development dynamics;
 - (iv) continuing to apply the commodity charge to the volumes injected into the transmission network at the entry points, in line with the 4PRT tariff criteria;
- e) excluding the application of the charge CV_{FC} to flows towards storage;
- f) with regard to the entry-exit distribution:
 - (i) adopting a 50/50 split in order to avoid an excessive increase in costs for the exit points;
 - (ii) adopting a 20/80 split in order to promote greater price alignment at the Virtual Trading Point with the major European hubs and greater procurement competitiveness;
 - (iii) updating the split during the regulatory period on the basis of market conditions and the degree of use of the entry points, including during the regulatory period;
- g) with regard to the CWD methodology:
 - (i) applying the methodology to the national network only, possibly ensuring that the exit charges resulting from the methodology are applied to the delivery points together with the current regional network charge;
 - (ii) preventing the application of the methodology bringing about a significant increase in the exit charges at connections with abroad, disincentivising natural gas exports or charges at entry points which connect the Italian market to northern European markets, namely Passo Gries and Tarvisio, in order not to reduce the competitiveness of these procurement sources;
- h) with regard to the adjustments to the charges resulting from the CWD methodology:
 - (i) evaluating the introduction of adjustments which reduce the differences of the entry charges, pursuing a general objective of neutrality between the procurement sources and routes at international level which also makes it possible to neutralise the anticipated increase in entry charges from LNG regasification terminals; some subjects also highlighted the opportunity to equalise the charges relating to all entry points;
 - (ii) applying a discount to the entry charges from and exit charges to storage facilities of 100%; in this regard, some parties pointed out the opportunity of recovering the forgone revenue through the tariff component covering expenses resulting from the application of the correction factor for storage service target revenues (CRV^{OS}) in place of recovery through an increase in

- capacity-based charges, thereby avoiding the distorting effects in import decisions;
- (iii) applying a discount to the entry charges from liquefied natural gas (LNG) terminals equal to at least the discount defined for storage charges;
- i) with regard to the reduction in the exit charge for delivery points located less than 15 kilometres from the national network, keeping the current reduction in charge dependent on the distance or, alternatively, adopting a greater reduction for the points nearest the national network;
- j) in order to reduce fluctuations in capacity charges, excluding the capacities subject to restructuring over a period of time (reshuffling) from the planned allocation capacities used for the rescaling of the capacity-based charges, pursuant to Resolution 666/2017/R/GAS, ensuring that the revenue needed to cover the target revenue is recovered through the application of CV_{FC} ;
- k) evaluating the use of the previous correction factors in order to guarantee the stability of the tariff levels for the year 2020 onwards, limiting the tariff discontinuity resulting from regulatory framework and market changes;
- l) reorganising the additional component to cover system expenses;
- the following was highlighted under the scope of the ACER Report:
 - a) the reference price methodology used (CWD methodology) is consistent with the principles of cost-reflectivity in the TAR Network Code, taking into consideration both the estimated capacities and the distance, which are the important cost drivers for the Italian transmission network;
 - b) the final consultation, pursuant to the TAR Network Code (see consultation document 512/2018/R/GAS), does not offer sufficient transparency and clarity with regard to:
 - (i) the treatment, from both an analytical and regulatory perspective, of the economic entries relating to the reshuffling mechanism;
 - (ii) the methods for calculating the driver of the distance considered under the scope of the CWD methodology, with particular reference to the methods for calculating the distance at the national network and at the regional network;
 - c) the simplified tariff model, published by the main TSO as instructed by ARERA, is not consistent with the requirements of the TAR Network Code because it does not contain the estimate of the commodity charge; additionally, it does not allow users to estimate the development of the tariffs over a period of time, because it does not contain the capacity allocation forecasts for the years of the regulatory period after the first one;
 - d) the proposed methodology in consultation creates cross-subsidisation for intra-system users due to:
 - (i) the reduction in exit charges, created following the setting of the charges and their equalisation for delivery points situated less than 15 kilometres from the national network;
 - (ii) the rescaling of the capacity-based charges implemented in order to offset the deficit in the revenue arising from the reshuffling mechanism; however, ACER recognises that it cannot confirm that ARERA could have managed

- the impact on the transmission tariffs of the reshuffling mechanism in a better way;
- e) the adoption of a single reference price methodology for the entire perimeter of the transmission network, including the regional network, is potentially capable of also allocating the costs of the regional network to the connection points; and which, in spite of the proposed methodology, with particular reference to the entry-exit distribution, is aimed at preventing this cross-subsidisation, the Member State is recommended to check the correct implementation of the primary legislation for the definition of "distribution" pursuant to Article 2, paragraph 5 of Directive 2009/73/EC;
 - f) with regard to the additional services provided by transmission businesses, evaluating whether and to what extent they relate to access to the transmission network and, in any event, whether they qualify as transmission services or non-transmission services;
 - g) in the light of the items highlighted, ACER recommends that ARERA should:
 - (i) provide greater transparency and clarity with regard to the effects of the reshuffling mechanism, evaluating the adoption of solutions that minimise potential distorting effects;
 - (ii) provide greater transparency on the methods for calculating the distance driver;
 - (iii) provide a tariff model complete with all the elements that allow users to estimate the development of tariffs over a period of time;
 - (iv) remove the reduction of the charge applied at redelivery points located less than 15 kilometres from the national network;
 - (v) include the costs of any additional services provided by transmission businesses pursuant to the Network Code, but related to access to the transmission network, under the scope of the costs recovered through the charges resulting from the tariff methodology;
- with reference to the comments in the ACER Report:
 - a) with regard to the treatment of the capacities subject to reshuffling, the following must be pointed out:
 - (i) in 2017 and 2018 the introduction of this mechanism caused excess revenue for the transmission business because part of the capacity subject to reshuffling, in any event invoiced to users by the transmission business pursuant to paragraph 1.6 of Resolution 666/2017/R/GAS, was contracted once again on a short-term basis and the tariff drivers had not taken these repurchases into account; this led to increased revenue for the transmission business compared with the target revenue whose value was ascribed to the correction factor to recover (in the case in question, to be paid back into the system) in future years;
 - (ii) this capacity subject to reshuffling can be used within the third thermal year after the expiry of the multi-year contract, following the payment of any excess difference in tariff compared with that already paid as well as any possible auction premium, as a result, if for the purpose of measuring the

tariff the capacity used later were considered the same as the capacity not subject to reshuffling, there would be a lower revenue for the transmission business than the target revenue, therefore the solution envisaged in consultation document 512/2018/R/GAS required this capacity to be excluded from the capacity used for measuring the unit charge (or in the reportioning process), thereby leading to a rise in the unit charges;

- (iii) accordingly, this increase was offset through the corresponding reduction in the revenue to be recovered through the transmission tariffs applied to the capacity, obtained by deducting the value of the previous correction factors from the target values (which, as mentioned, are, to a large extent, attributable to the reshuffling mechanism itself);
- b) with regard to the distance calculation methodology, it should be noted that, both with reference to the national network and the regional network, the distance is calculated on the basis of the physical distance (length of the pipelines) between two points or clusters of points;
- c) the additional services provided by transmission businesses, as identified under the scope of the Network Codes of said businesses, can be broken down into: (i) ancillary services, offered to users jointly with the transmission service, whose costs are included in the transmission service costs; (ii) optional services, not necessarily related to network access, provided pursuant to the provisions of the Network Codes approved by ARERA in compliance with the principles of the costs underlying the provision of the service, transparency and non-discrimination, and whose costs are not included in the transmission service costs.

ALSO GIVEN THAT:

- with regard to the **additional aspects** relating to the **cost allocation criteria**, in the consultation document 512/2018/R/gas, ARERA also proposed, among other things, to:
 - a) confirm the multiplier levels currently in force, extending the application of the multipliers currently applied to the entry points to the exit points abroad as well;
 - b) not introduce seasonal factors;
 - c) confirm the possibility of offering interruptible transmission capacities by applying reduced capacity-based charges compared with those applied to the continuous type transmission capacity, which reflect the risk associated with the interruption of the service;
 - d) allocate the costs of the transmission networks not connected to the existing transmission network (isolated transmission networks) exclusively to the respective users of the transmission service, applying a specific reference price methodology, including a simplified one, in order to prevent the costs of the isolated network being passed on to the users of gas systems not connected to these networks;

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- under the scope of the comments received in response to consultation document 512/2018/R/GAS with regard to additional aspects relating to the cost allocation criteria, the following opportunities were highlighted:
 - a) with regard to the infra-annual capacity multipliers:
 - (i) adopting higher multipliers;
 - (ii) adopting lower multipliers or zero multipliers, especially for delivery points which serve thermoelectric plants;
 - (iii) not applying multipliers at the entry points from LNG terminals;
 - (iv) not applying multipliers at exit points connected with abroad;
 - b) with regard to transmission networks not connected with the national transmission network:
 - (i) dealing with all transmission networks in the same way, regardless of whether or not it is connected with the national transmission network, allocating the cost of these networks to the end users who benefit from them;
 - (ii) taking into consideration the need not to penalise end users in areas in the process of methanisation and not to hinder the development of natural gas demand in these areas, avoiding the application of a distinct reference price methodology turning into an economic burden for the end users of these networks;
 - c) with regard to the scope of the application of the reference price methodology, and the consequent elimination of the allocations at the national network exit points, maintaining the current scope for the allocation of transmission capacities for the thermal year 2019-2020 and postponing the launch of the application of the bundled tariff charge to the thermal year 2020-2021, also for the purpose of a connection with the planned reform of the framework governing the exit allocations pursuant to consultation document 114/2018/R/GAS.

ALSO GIVEN THAT:

- with regard to the **tariff breakdown of the metering service:**
 - a) in consultation document 512/2018/R/GAS ARERA planned, among other things, to adopt a tariff breakdown that, for end users directly connected to the transmission network, ensures the neutrality between maintaining ownership of the facility or, following the payment of a fee, handing over ownership to the transmission business, introducing a further tariff component to the tariff component CM^T , similar to the one currently in force, to cover the metering activity carried out by the transmission business with regard to the delivery points of end users who have surrendered ownership of the metering system to the transmission business (CM^{CF});
 - b) under the scope of the comments received in response to consultation document 512/2018/R/gas the opportunity of specifically avoiding the dual structure of the metering charge involving excessively complex administration was pointed out;
 - c) under the scope of the ACER Report, it was shown how consultation document 512/2018/R/gas was not complete with regard to non-transmission revenue and

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charges, not providing an estimate of revenue related to metering activities at end user delivery points and, as a result, not providing an estimate of the CMCF component; and how, for this reason, it is not possible to evaluate the compliance of the cost-reflectivity, non-discrimination and transparency principles of this component;

- with reference to the comments in the ACER Report, it should be noted that the consultation document, despite not providing an estimate of the component CM^{CF} , does provide adequate transparency in relation to the calculation and application criteria for this component.

ALSO GIVEN THAT:

- with regard to the **revenue compensation and correction mechanisms**, in the consultation document 512/2018/R/GAS, ARERA also proposed, among other things, to:
 - a) confirm the compensation mechanisms aimed at guaranteeing each transmission business revenue consistent with its target revenues and the mechanisms for covering the risk associated with the changes in the transmission capacities allocated compared with the planned allocation capacities and the changes in the volumes of gas actually withdrawn from the network compared with those used for the purpose of measuring the commodity charge CV ;
 - b) introduce a specific coverage factor for the transmission metering service revenue;
 - c) ensuring that the sums relating to previous correction factors are used to mitigate the potential effects on capacity-based charges resulting from the changed 5PRT regulatory context and to limit the consequent tariff discontinuity;
- under the scope of the comments received in response to consultation document 512/2018/R/GAS with regard to the revenue compensation and correction mechanisms, the following opportunities were highlighted:
 - a) preventing the conclusion of revenue distribution agreements between transmission businesses being accompanied by negotiations that lead to delays in their definition; in this regard, ensuring that the national network, regional network and metering revenue compensation mechanisms are managed entirely through the Cassa (Energy and Environmental Services Fund) (hereinafter the Cassa) on a monthly basis, neutralising the effects of a financial nature in relation to the current situation;
 - b) establishing the settlement of economic entries during the year with reference to regional compensation as well.

CONSIDERING THAT:

- with regard to the **criteria for calculating the allowed cost**, with reference to the comments received in response to consultation document 512/2018/R/GAS:

- a) in relation to the forecast of approach based on the allowance of total expenditure (totex) and a greater focus on outputs put forward since 2017 and duly submitted to stakeholders for consideration during a comprehensive consultation process, it is appropriate to adopt a gradual approach, introducing several preparatory instruments typical of a regulatory system based on totex approach during the course of the regulatory period and reserving the right to calculate the target revenues of the main TSO in the last year of 5PRT, on a trial basis, based on the total expenditure allowance criteria that will be examined in depth in later consultation documents;
- b) with regard to the value of the parameter β^{asset} :
 - (i) there is no evidence of an increase in the average industry risk that justifies an increase in the parameter, specifically in the context of a regulatory framework which, essentially in continuity, involves the confirmation of the volume risk neutralisation mechanisms guaranteeing the investments made by transmission businesses;
 - (ii) the uncertainty factors mentioned in the responses to the consultation, mainly related to the macro economic situation, are picked up by other WACC parameters, subject to recent updating through Resolution 639/2018/R/COM;
 - (iii) other potential industry uncertainty factors inherent in the future role of gas could possibly only explain their effects over a longer time horizon (beyond 2035) and, in any event, appear to be amply balanced at present by a regulatory framework which, as has been stated, guarantees businesses from the need to support volume risk and which, with regard to new infrastructure developments, has already arranged the activation of selective instruments based on the benefit/cost ratio analysis, protecting the interests of service users;
 - (iv) with regard to the choice of the reference sample, the methodological approach used is consistent with the one set out by the TIWACC and suitable to measure, as far as possible, the average industry risk levels in a European context;
 - (v) in relation to the ways of calculating the financial leverage, the use of market values, in place of book values, has recursive effects on the parameter β and is therefore not viable, as ARERA has pointed out on several occasions.
 - (vi) there are no increases in specific transmission activity risk to justify an upwards revision of the parameter β , as a result of the regulatory decisions that are the subject of this provision and the guidelines on service quality pursuant to consultation document 420/2018/R/GAS; and specifically the confirmation of a total neutralisation of the volume risk on capacity-based charges and commodity charges (excluding an exemption on the latter) together with the revision of the correction factor management methods, guarantee an essentially unchanged framework of risk profiles to which the transmission businesses are exposed;
- c) with regard to the treatment of financial expenses for assets under constructions, the application of a return rate that is lower than the one for existing investments

is aimed at providing regulated businesses with a correct incentive for the prompt realisation and implementation of investments, nevertheless guaranteeing the full recovery of the financial expenses incurred for their realisation;

- d) with reference to the calculation of the depreciation rate:
 - (i) it is advisable to introduce a new asset category, which includes tangible fixed assets relating to office machinery, mobile phones and means of transport, with a regulatory useful life of 5 years, also for the purpose of alignment with the asset categories pursuant to Resolution 654/2015/R/EEL for the electric sector;
 - (ii) the proposal to introduce a new asset category for upgraded investments is not acceptable, while awaiting more detailed analyses of the state of existing infrastructures as explained below, with the evaluation of specific regulatory interventions for keeping assets which have completed their useful life, which are compatible with safety and efficiency requirements in service being preferable, including following the evaluation of the actions which will be presented by the main TSO under the monitoring of the status of existing infrastructures;
- e) with reference to the calculation and updating of allowed operating costs:
 - (i) it is necessary to use the effective costs from the certified financial statements and separate annual accounts submitted pursuant to the TIUC, and therefore the proposal to use the data for 2018 is not viable because it has not yet been collected at the time the tariff proposals for 2019 are submitted; in spite of this, it is advisable to afford businesses the opportunity of submitting an application to include any specific cost items, which have emerged in 2018 and increased compared with 2017, provided that this cost increase complies with the ordinary eligibility and efficiency criteria, which can be evaluated during the specific preliminary stage;
 - (ii) with regard to the split of the lesser efficiency compared with the targets defined by ARERA for 4PRT, this mechanism is consistent with and specular to the one for the split of the increased efficiency achieved in 4PRT by the transmission businesses, following the principle of symmetrical distribution between users and businesses of the increased/lesser efficiency achieved in relation to the productivity targets set by ARERA; additionally, the period proposed for reabsorbing the increased/lesser efficiency achieved by businesses in 4PRT is adequate, confining it to the regulatory period, including to avoid excessive inter-temporal transfers between users;
- f) with reference to the treatment of network, own-gas and unaccounted-for gas losses:
 - (i) the new proposed regime guarantees adequate coverage mechanisms for volume risk, furthermore, reducing the risk associated with the coverage of the quantities of unaccounted-for gas as these quantities are updated annually; additionally, the proposed mechanism totally neutralises price risk;
 - (ii) with specific reference to the treatment of network losses, it is advisable to follow up on the incentivisation for the progressive reduction of loss rates in

the transmission network in order to achieve the efficiency targets, over a 12-year period, for the fugitive emission factors for the Regulation and Metering Stations already outlined in Resolution 514/2013/R/GAS, also taking into consideration the reorganisation of the metering service proposed in consultation document 413/2017/R/GAS, as well as the revision of the metering service tariff structure adopted through this Resolution;

- (iii) with specific reference to the treatment of unaccounted-for gas, it is advisable to calculate the level allowed annually on the basis of the average value actually recorded in the last four years available, without ruling out the maximum and minimum values recorded in order to guarantee greater stability for the unaccounted-for gas level allowed; it is also advisable to calculate the level allowed for 2020, taking into account the structural increase in the level of unaccounted-for gas recorded from 2016 as a result of the technological adjustment of the metering systems at the national network entry points and the updating of the compressibility estimation method used for correcting the volumes metered at standard conditions;
- g) with reference to the costs associated with the Emission Trading system, despite stressing the need to base the quantification of the number of permits on the data supplied by the transmission businesses, it is fair to include the proposal to supplement this data with the average number of ETS permits used in previous periods;
- h) with reference to the revenue for the balancing service, the operation of the natural gas wholesale market allows the balancing requirements of the transmission businesses to be managed and, in line with European regulations, the current arrangement which includes reserving a share of the storage resources for the most important transmission business, to be exceeded;
- with regard to the **criteria for calculating the allowed cost**, with reference to the comments received in response to consultation document 512/2018/R/GAS:
 - a) the incentivisation measures subject to consultation are geared towards the gradual exceeding of the input-based incentives and better coordination between tariff regulation and the evaluations of the 10-year development plans, by virtue of which the range of application of the additional remuneration is restricted only to investments which comply with the levels for the application of the economic analysis of the costs and benefits pursuant to Article 9 of Annex A of Resolution 468/2018/R/GAS and which have a benefit/cost ratio of more than 1.5, as well as to the interventions permitted by the protection clause pursuant to point 4 of Resolution 689/2017/R/GAS, as confirmed through Resolution 208/2018/R/GAS; and these measures must be adequate with regard to the need to promote infrastructure development based on approach of increasing selectivity, aimed specifically at the improved promotion of the development of the transmission network capable (on the basis of transparent cost/benefit analyses) of bringing high value to the system and, by virtue of this, as well as in consideration of the reduction of the incentivisation period from 12 to 10 years compared with the incentivisation criteria in force in the period 2018-2019 already projected under

- the scope of the final consultation, being valid to balance the incentivising signal by providing an additional remuneration of 1.5%;
- b) consistent with the projection of adopting cost allowance criteria based on total expenditure (totex) by way of a trial in the last year of 5PRT, it is advisable, at the same time, to introduce output-based incentivisation approach limiting the application of the input-based transition incentivisation to the first 3 years of 5PRT; in any event, the criteria relating to the totex approach are also defined in order to manage the transition without overlapping or discontinuity between the regulatory mechanisms;
 - c) the introduction of incentivising mechanisms for investment cost efficiency could also be evaluated at the same time as the introduction of the output-based incentivising approach in order to allow transmission businesses a sufficient period of time to include the requirements for the cost/benefit analyses pursuant to Resolution 468/2018/R/GAS and the application criteria in the process of being defined, in future 10-year development plans, and to present more accurate investment cost forecasts under the scope of the plans, including as a preface to the planned introduction of the totex approach;
 - d) similar to the provision for the electricity transmission service, adequate measures which incentivise the transmission businesses to make every effort to obtain national and EU public contributions to construct infrastructures should be understood as compensatory payments for the transmission businesses relating to the commitments and activities necessary for accessing these contributions, with a view to guaranteeing lower costs for the service for all users; it is not, however, justified to provide a higher incentive level than the one proposed;
- with regard to the criteria for **calculating the charges for the transmission service**, with reference to the comments received in response to consultation document 512/2018/R/GAS:
 - a) the allowed costs under the scope of the revenue component for the balancing service, only concerning the storage service for hourly modulation for 5PRT, should be understood as the necessary and unavoidable costs in relation to the provision of the transmission service;
 - b) in relation to the proposal to allocate the transmission costs on the capacity-based charges as a priority, the proposed capacity-commodity split allows a more flexible structure for the transmission tariff;
 - c) in relation to the proposal to use the technical capacity in place of the planned allocation capacity as the driver for the charge, this driver, in the proposed methodology, comes under both the weighting process for the various points, and the measurement of the unit charges; from the methodological point of view, it is preferable to consider the planned allocation capacity because (i) for the purpose of the weighting of the points it represents the effective use of the transmission capacity at each entry and/or exit point and, as a result, makes it possible to allocate the network costs according to the principle of cost responsibility (ii) for the purpose of measuring the unit charges, it makes it possible to recover the target revenues to cover allowed costs without generating a systemic under-

invoicing, thereby preventing potential inter-temporal subsidisation and cross-subsidisation between users to whom the capacity charges are applied and users to whom the charge CV_{FC} is applied and also the discontinuity associated with the expiry of long-term contracts registered in recent years expiring and being out of date and, as a result, the use of the planned allocation capacity not involving excessive volatility in the ratios between charges;

- d) the proposal not to apply the commodity charge CV to the exit points to storage facilities is not viable because it is not compatible with the criteria pursuant to Article 4, paragraph 3, letter a), paragraph ii) of the TAR Network Code, which requires the charge to be the same for all entry points and the same for all exit points, as also highlighted by ACER in its Report of 14 December 2018 containing the “*Analysis of the Consultation Document on the Gas Transmission Tariff Structure for Denmark*”;
- e) the proposal to apply the commodity charge CV to physical flows only is not viable because the gas movements of each user are recorded for invoicing purposes; with reference to the connection points between the transmission network and storage facilities, the user of the transmission service measures the volume moved by the storage business, which balances the positions of the storage users;
- f) the proposal to measure the tariff driver also on the basis of an estimate submitted by the main TSO is not acceptable; the use of historical data actually guarantees greater predictability and transparency in calculating the charge; the annual updating of the driver also makes it possible, in future years, to intercept any contingent situations associated with a specific year;
- g) the application of the commodity charge CV at the exit points guarantees greater flexibility of the tariff structure, avoiding the costs being internalised in the wholesale price of the raw material;
- h) with regard to the entry-exit split, the figure of 40% of the costs relating to the national network attributed to the entry points (which gives a split of 28/72), aimed at encouraging greater competitiveness in the procurement of natural gas on the national market and greater alignment of prices at the Virtual Trading Point with the main European hubs, as well as reconciling the objectives of promoting a better use of the existing infrastructures and guaranteeing adequate tariff flexibility for end users connected directly to the transmission network, can also be confirmed on the basis of the transmission capacity usage rate, understood as the maximum daily capacity used at each national network entry point (excluding storage), recorded over the last 3 thermal years;
- i) the proposal to apply the reference price methodology to the national network only is not viable by virtue of the regulations in the TAR Network Code which include the obligation to apply a single methodology for the recovery of the target revenues relating to the transmission service; and, in this regard:
 - (i) in general terms, the application of a single methodology to the entire transmission network, including portions of the network intended primarily to serve end users, could generate undue cross-subsidisation between intra-

- system users and inter-system users also distorting cross-border trade, creating an outcome in potential conflict with the main instigators of the TAR Network Code;
- (ii) however, the methodology subject to consultation by ARERA makes it possible to achieve a result that is consistent with the non-discrimination and non-distortion criteria, as foreseen in the ACER Report and supported by the results of the Cost Allocation Assessment pursuant to Article 5 of the TAR Network Code available in Annex B of this provision;
 - (iii) in any event the European regulation and its implementation must take into account the requirement of not penalising cross-border trade following the inclusion, in a single methodology, of portions of the network designed primarily to serve end users, as also highlighted in the ACER Report;
- j) the proposal for the complete equalisation of charges at entry points is not viable because it is not consistent with the main cost drivers identified by the TAR Network Code, for the purpose of the allocation of the transmission system costs, namely capacity and distance; in effect, this choice will make the internalisation of the distance cost driver in the methodology disappear, actually making the proposed methodology similar to a "stamp" methodology; additionally, compared with the ("matrix") methodology currently used, the CWD methodology mitigates the differences between charges, aligning them closer to the average value; similar considerations are also noted in relation to the proposal to equalise the charges at the entry points connected with the LNG terminals;
 - k) the proposal to apply a 100% discount at the connection points with the storage facilities is not viable because the significant increase in the other capacity-based charges would not translate into a direct benefit for users who use the storage facilities taking into account that transmission charges from and for storage are applied, in an indiscriminate manner, to the storage businesses; this transmission cost incurred by the storage businesses is covered by the income from the auctions for assigning the storage capacities or, to the extent to which this income is insufficient, through the application of an additional commodity charge to cover the system expenses connected with storage activities CRV^{OS} , applied at the delivery points;
 - l) the proposal to apply a discount to the transmission charges from LNG facilities is not viable because it could create a competitive advantage for that source of gas procurement compared with sources via pipelines, which is not justified in the changed domestic context of the gas system featuring a trend towards reductions in long-term procurement contracts and a consequent increase in the available transmission capacity, also flexible for shorter periods of the year;
- with regard to **additional aspects** relating to cost allocation criteria, with reference to the comments received in response to consultation document 512/2018/R/GAS:
 - a) on the extent and the scope of application of the multipliers, the proposal submitted for consultation, as also highlighted by the diametrically opposed responses formulated by the parties concerned, adequately reconciles the requirement of non-discrimination between entry points connected with abroad

- and entry points from LGN terminals, as well as between entry points and exit points connected with abroad, with the requirement to allow the flexible use of the network;
- b) in relation to the treatment of isolated transmission networks, the priority is to guarantee the compliance with the principles of the underlying costs and non-discrimination between the various users of the system, also in line with the requirements of the TAR Network Code by virtue of which the cost of constructing these isolated transmission networks is allocated exclusively to the users of these networks;
 - c) the need demonstrated by various parties not to apply the bundled tariff charge before 1 October 2020 is acceptable; this requirement can be satisfied by ensuring that, for the thermal year 2019-2020, the capacity-based allocations continue to be made both at the national network exit points and at the delivery points, and that for the period 1 January 2020 - 30 September 2020 the same pro-forma charges calculated for the purpose of the management of the compensation mechanisms between transmission businesses apply (charges CP_u^N and CP_u^R);
- on the issue of the **tariff breakdown of the metering service**, with regard to the comments received in response to consultation document 512/2018/R/GAS, the administrative complexity due to the introduction of a new small charge, in any event balanced by the fact that the party transferring ownership of the metering system is not obliged to comply with the plant engineering and maintenance standards of the actual system, as this obligation pertains to the transmission business;
 - with regard to the **revenue compensation and correction mechanisms**, with reference to the comments received in response to consultation document 512/2018/R/GAS:
 - a) the signing of the agreements distributing the revenue among the transmission businesses is not exposed to the risk of prolonged negotiations because these agreements merely involve the application methods of the revenue resulting from the application of the transmission charges, under the scope of the general criteria which define the specific business charges and related compensation criteria;
 - b) there is no need to compensate the proceeds relating to the regional network revenue during the year because, without prejudice to the transfer of revenue relating to the national network to the competent transmission businesses, the financial exposure of the transmission businesses with regard to this item is unchanged compared with 4PTRT, in an overall framework of reducing financial exposure resulting from the compensation of correction factors during the year $t+1$ directly through a dedicated account at the Cassa;
 - without prejudice to the criteria for calculating the revenue correction factor, aimed at covering the differences between the target revenues and those obtained through the application of transmission service charges, it is advisable, similarly to the criteria currently in force, to subtract the overrun revenue from the revenue recovered through the transmission tariffs applied to the capacity; in order to guarantee tariff stability, it is advisable to include a maximum deductibility level, beyond which excess imports are subtracted from the capacity revenues in the next year.

ALSO GIVEN THAT:

- with reference to the comments in the ACER Report on the issue of criteria for **calculating the transmission service charges:**
 - a) also in consideration of the comments received under the scope of the consultation, it is advisable to amend the proposal initially formulated and to consider the capacities used under the scope of the reshuffling mechanism on a par with the capacity not subject to reshuffling in order to measure the unit charge, recovering the forgone revenue under the scope of the correction factors; in order to make this proposal totally consistent, it is also necessary not to subtract the value of the previous correction factors from the value of the target revenues to be recovered through transmission tariffs applied to the capacity, recording these sums under "Transmission expenses account";
 - b) it is advisable to explain the methods through which the aggregation of the points takes place and, as a result, how the weighted average distance is calculated; more specifically, the calculation of the distance from an entry point to a withdrawal area (or a combination of delivery points) for the purpose of the simulations in the consultation document 512/2018/R/GAS was carried out as follows:
 - (i) the identification of the main interception and offtake points (PIDI), namely the points at the national network from which the regional network sections depart;
 - (ii) the calculation, for each PIDI-entry point combination, of the distance in the national network;
 - (iii) the calculation, for each PIDI-delivery point combination, of the distance in the regional network and the consequent calculation, for each PIDI-combination of PIDI underlying delivery points, of the distance in the regional network as the average of the PIDI-delivery point distances weighted for each delivery point according to capacity;
 - (iv) the calculation, for each entry point-withdrawal area combination, of the total distance as the sum of:
 - the distance in the national network, as the average of the distances from the entry point to the PIDs relating to the withdrawal area, weighted for each PIDI according to the capacity of the PID underlying delivery points;
 - the distance in the regional network, as the average - for PIDs relating to the withdrawal area - of the PIDI-delivery points aggregate distances weighted for each PIDI according to the capacity of the PID underlying delivery points;
 - c) it is advisable to adopt a more simplified methodology since, based on the content of the previous letter b), this methodology for calculating the distance is complicated and difficult for users to replicate;
 - d) in relation to the simplified tariff model, contrary to what ACER claimed, although the model provided under the scope of the consultation did not contain

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an estimate of the development of the tariffs over a period of time, it did, however, allow users to make this estimate giving them the possibility of including the values deemed most appropriate as the input parameters; in any event, it is advisable to instruct the main TSO to make a simplified tariff model available which also includes an estimate of the planned allocation capacities in the years of 5PRT;

- e) in relation to the reduction in charges for delivery points within 15 kilometres, it is advisable, also in line with the conclusions of the ACER Report, to proceed with redefining the methods through which this reduction is calculated, specifically evaluating the internalisation of the reference price methodology or through the application of the distance cost driver in order to differentiate, for tariff purposes, the delivery points according to the distance from the national network;
- with reference to the comments in the ACER Report with regard to the **tariff breakdown of the metering service**, it is advisable to make an estimate of the charges for this service for 2020 available, including the estimate of the component CM^{CF} in this annex to this resolution.

IT IS THEREFORE DEEMED APPROPRIATE:

- in relation to the criteria for calculating the allowed **costs**, to confirm the proposals formulated under the scope of the consultation, within the limits of and taking into account the following:
 - a) for the first years of the regulatory period, to confirm the general principles for recognising the capital costs and operating costs, which include incentivising regulatory schemes limited to operating costs only and rate of return type regulatory schemes involving capital costs;
 - b) to make provision for the possibility of calculating the target revenues of the most important transmission business, on a trial basis in the last year of 5PRT, by applying the totex approach, deferring the definition of the criteria relating to specific consultation documents;
 - c) to confirm the term of the regulatory period as 4 years, from 1 January 2020 to 31 December 2023;
 - d) to confirm the value of the parameter β^{asset} as equal to 0.364 for 5PRT and, as a result, a rate of return of 5.7% for the years 2020 and 2021, in line with the framework governing the TIWACC;
 - e) to provide efficiency measures for the fugitive emission factors for the Regulation and Metering Stations, including reaching the efficiency standards already outlined in Resolution 514/2013/R/GAS in a period of 12 years, with annual efficiency of around 15% also taking into consideration the transmission metering service;
 - f) to introduce an asset category for tangible fixed assets, with a conventional duration of 5 years, which refers to office machinery, mobile phones and means of transport;

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- g) when calculating the allowed cost for 5PRT, to take into account the provisions introduced by IFRS 16 with regard to the accounting treatment of leases, in force from 1 January 2019, excluding the costs from the effective cost level considered in the base year relating to lease agreements which, from 1 January 2019, are in the assets of the balance sheet;
- in relation to the **infrastructure development incentivisation** criteria, to confirm the proposals formulated under the scope of the consultation, within the limits of and taking into account the following:
 - a) confirming the input-based temporary incentivisation, providing additional remuneration of 1.5% allowed for 10 years, to be applied to investments which become operational in the first three years of the regulatory period in anticipation of the trial introduction, in the last year of 5PRT, of cost allowance criteria based on total expenditure (totex) and the related output-based incentivisation mechanisms;
 - b) postponing the introduction of an investment costs efficiency incentivisation mechanism until the introduction of the output-based incentivisation mechanisms;
 - c) confirming the introduction of forms of incentivisation to obtain national and EU public contributions;
- in relation to the criteria for **calculating the transmission service charges**, confirming the proposals formulated under the scope of the consultation, within the limits of and taking into account the following:
 - a) adopting an entry-exit split of 28/72;
 - b) internalising the principle of the reduction of the charge for delivery points located within 15 kilometres of the national network in the reference price methodology, aggregating the delivery points for each of the 6 exit areas in two clusters depending on the distance of the delivery point from the national network (within/more than 15 kilometres);
 - c) ensuring that the calculation of the parameter of the distance from an entry point to a group of delivery points is carried out simplifying the methods for calculating the distance in the regional network, and specifically, based on the following methodology:
 - (i) the identification of the main interception and offtake points (PIDI), namely the points at the national network from which the regional network sections depart;
 - (ii) the calculation, for each PIDI-entry point combination, of the distance in the national network;
 - (iii) the calculation, for each PIDI-delivery point combination, of the distance in the regional network;
 - (iv) the calculation, for each entry point-group of delivery points, of the total distance as the sum of:
 - a national network distance, calculated as the average distance from the entry point to the main interception and offtake points (PIDI) of the

- group of delivery points, weighted for each PIDI according to the planned delivery capacities underlying each PIDI;
- a regional network distance, calculated as the average - for the PIDs for the delivery points group - of the PIDI-delivery point distances, weighted by the capacity of the delivery points;
- d) under the scope of the reference price methodology, also for the purpose of guaranteeing greater tariff predictability and stability of the capacity-based charges, including the transmission right capacities subject to restructuring over a period of time (reshuffling) in the planned allocation capacities considered for the purpose of reportioning for the measurement of the unit charge;
- e) ensuring that the commodity charge CV is applied to the volumes commercially handled by transmission users;
- with reference to the **additional aspects** relating to the cost allocation criteria, confirming the proposals formulated under the scope of the consultation, also ensuring that, for the thermal year 2019-2020, the capacity-based allocations continue to be made both at the national network exit points and at the delivery points, and that for the period 1 January 2020 - 30 September 2020 the same pro-forma charges CP_u^N and CP_u^R calculated for the purpose of the management of the compensation mechanisms between transmission businesses apply;
 - with reference to the **metering service tariff breakdown**, confirming the proposals formulated under the scope of the consultation, and, specifically, introducing a specific charge to cover the costs associated with the installation and maintenance activities for metering systems at end users (metering activities);
 - with reference to the **compensation and correction mechanisms**, confirming the proposals formulated under the scope of the consultation, within the limits of and taking into account the following:
 - a) ensuring that the revenue compensation and correction mechanisms are managed through the Cassa, under the "Transmission expenses account", without prejudice to the need to conclude distribution agreements between the transmission businesses for the management of the national network revenue compensation, as well as the distribution of the revenue resulting from the application of the charges for the transmission service and the charges for the metering service;
 - b) ensuring that, in continuity with the current regulatory criteria, the overrun revenue is deducted from the revenue recovered through the transmission tariffs applied to the capacity, within a limit equal to 5% of these capacity-based revenues; and that the amounts exceeding this level are deducted from the capacity-based revenues for the next year;
 - c) in order to guarantee consistency with the treatment of the capacities subject to reshuffling, not deducting the value of the previous correction factors from the value of the target revenues to be recovered through transmission tariffs applied to the capacity, but rather recording these sums in the "Transmission expenses account", except for the overrun revenues for 2018 because they are significant for the purpose of calculating the transmission tariffs applied to the capacity, in line with the forecasts in the previous point b).

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LASTLY, IT IS DEEMED APPROPRIATE:

- to instruct the main TSO to prepare a monitoring report, by 31 December 2019, on the state of existing infrastructures, indicating any operating difficulties or problems connected with infrastructure safety, specifically if fully depreciated for tariff purposes or nearing the end of their useful regulatory life, identifying the consequent actions necessary in the interest of the system, pointing out the costs and benefits of these actions and demonstrating the efficiency of the solutions identified compared with alternative solutions;
- following the monitoring report in the previous point, evaluating the introduction of specific mechanisms which give correct incentives with regard to the decision as to whether to keep fully depreciated infrastructures in tariff terms in operation or to renew or replace them, in compliance with the overall service safety and efficiency requirements;
- postponing the definition of the regulatory criteria on the quality of the natural gas transmission service for 5PRT, promoting the trial of innovative uses of the transmission networks also with a view to greater integration between the electricity sector and the natural gas sector (sector coupling), as well as from the perspective of the reorganisation of the natural gas metering service, following the specific consultations to be carried out in 2019;
- deferring the approval of the amendments to the TIB to the next provision:
 - a) establishing a coverage mechanism, for the transmission businesses, relating to the risk associated with the differences between the allowed price for own-gas volumes, losses and unaccounted-for gas and the actual procurement price of these quantities by the RdB;
 - b) aimed at including the coverage of any additional storage costs incurred for the operational balancing of the network under the scope of the RdB neutrality mechanisms, also assessing the requirements of a technical nature represented by the RdB and the possible introduction of temporary measures to guarantee the latter priority access to storage;
- transferring the amendment of the scope of the transmission capacity allocations to the next provision, starting from 1 October 2020, also taking into account the proposed reform of the framework governing the transmission capacity-based allocations at delivery points pursuant to consultation document 114/2018/R/GAS;
- in order to proceed with a rationalisation of the additional transmission tariff components and the accounts established at the Cassa, also making sure that any compensation imbalances are managed through the "Transmission expenses account" financed by the commodity charge CV_{FC} , in place of the "Transmission imbalance compensation account" currently financed by the tariff component φ , at the same time giving the Cassa the power to transfer the funds from the "Transmission imbalance compensation account" under the "Transmission expenses account";
- in relation to the management of the correction factors, making sure that:

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- a) the following are considered under the scope of the correction factor to be regulated in 2020:
 - (i) the sums relating to previous correction factors, or pertaining to the revenues until 2018, generated by the differences between the capacity-based target revenues allocated and the revenues obtained by applying the capacity-based tariff components to the capacities actually allocated, excluding the overrun revenues for 2018 (considered for the purpose of calculating the capacity tariff components for 2020, as well as 2021 for the share exceeding the level of 5% of capacity revenues);
 - (ii) the sums relating to the correction factors pertaining to the revenues for 2019, calculated by applying the criteria pursuant to the RTTG, excluding the overrun revenues relating to the same year 2019 (considered for the purpose of calculating the capacity tariff components relating to 2021, and 2022 for the share exceeding the level of 5% of capacity revenues);
 - b) these sums regulated in 2020 contribute to the quantification of the commodity charge CV_{FC} for 2021;
 - c) operationally, the sums pertaining to the revenues for the year t are regulated in the year $t+1$ and contribute to the quantification of the commodity charge CV_{FC} of the year $t+2$;
 - d) as a result, the value of the commodity charge CV_{FC} for 2020 is set at zero;
- ensuring that by 31 July 2019, the transmission businesses regulate the previous correction factors with the Cassa, or the revenues until 2018;
 - ensuring the transmission businesses send ARERA the tariff proposals for 2020 by 15 April 2019, at the same time as the information relating to planned investments and divestments, as well as the certification and verification of revenue for 2018;
 - making the information pursuant to Article 26, paragraph 1 of the TAR Network Code, not already included in the information provided under the scope of this resolution and under the scope of Annex A (RTTG) in a specific document attached to this provision (Annex B).

RESOLUTION

Articolo 1

Tariff adjustment criteria for the natural gas transmission and metering service for the period 2020-2023

- 1.1 The “*Tariff adjustment for the natural gas transmission and metering service for the fifth regulatory period 2020-2023*” (RTTG), attached to this resolution of which it forms an integral and essential part (*Annex A*) was approved.
- 1.2 The data and information pursuant to Article 26, paragraph 1 of the TAR Network Code were published in a specific document attached to this resolution (*Annex B*).
- 1.3 The main TSO was instructed to:
 - a) make a simplified tariff model available within 5 (days) of the publication of this provision, prepared pursuant to Article 30, paragraph 2, letter b) of the TAR Network Code, which includes an estimate of the planned allocation capacities for the years 2020-2023;
 - b) make an English version of the RTTG approved by this resolution available by 31 May 2019, also guaranteeing constant future prompt updating if amendments are introduced by ARERA through their resolutions.

Articolo 2

Amendments to the TIWACC

- 2.1 The value of the parameter β^{asset} , as defined in paragraph 1.1 of the TIWACC, relating to the natural gas transmission service for the period 2020-2023 was set at 0.364 and, as a result, Tables 3 and 4 of the TIWACC for the period until 2021 were updated.
- 2.2 The updated text of the TIWACC was published in line with the provisions of the previous paragraph.

Articolo 3

Monitoring natural gas transmission infrastructures

- 3.1 The most important transmission businesses was instructed, in tandem with the other transmission businesses, to prepare a report, by 31 December 2019 and in accordance with the methods and level of detail defined by the Director of the Direzione Infrastrutture Energia e Unbundling, monitoring the state of existing infrastructures, which indicates any operating difficulties with infrastructure safety, with a special focus on infrastructures fully depreciated for tariff purposes or reaching the end of their useful regulatory life by 2023, and which identifies the necessary actions, analysing the costs and benefits of these actions and

demonstrating the efficiency of the solutions identified compared with alternative solutions.

- 3.2 The introduction of specific mechanisms which incentivise keeping fully depreciated infrastructures in tariff terms operational was deferred to the next provision, to be adopted in relation to the outcomes of the monitoring report pursuant to the previous paragraph 3.1.

Articolo 4

Temporary and final provisions

- 4.1 The following terms were set for the purpose of the approval of the proposed tariffs for the first year of the fifth regulatory period (2020), as at 15 April 2019, pursuant to:
- c) Article 33, paragraph 1 of the RTTG, relating to the presentation of the tariff proposal;
 - d) Article 23, paragraph 10 of the RTTG 4PRT, relating to the investment and divestment forms;
 - e) Article 24 of the RTTG 4PRT, relating to the revenue certification and verification.
- 4.2 The Cassa was instructed to close the "Transmission imbalance compensation account" and, at the same time, transfer the funds, by 30 June 2019, to the "Transmission expenses account".
- 4.3 By 31 July 2019, the businesses shall regulate the correction factors pertaining to 2018 with the Cassa under the "Transmission expenses account", excluding the overrun revenue, and the residual correction factors pertaining to previous years.
- 4.4 The quantities to be allowed to cover the unaccounted-for gas for 2020, are proposed by the main TSO pursuant to paragraph 8.2, letter b) of the RTTG, taking into account the structural increase in the unaccounted-for gas level recorded from 2016 as a result of the technological adjustment of metering systems at the national network entry points and the updating of the compressibility estimation method used for the correction of the volumes measured at standard conditions.
- 4.5 The overrun revenues for 2018 are considered, similar to the criteria set out by paragraph 16.1 of the RTTG, for the purpose of calculating the capacity-based charges for 2020, and 2021, for the share exceeding the level of 5% of capacity revenues.
- 4.6 In the transition period 1 January - 30 September 2020, the pro-forma charges CP_u^N and CP_u^R , pursuant to Article 23 of the RTTG, calculated for the purpose of the management of the compensation mechanisms between transmission businesses, are applied, respectively to the exit connection points between the national network and regional network and the delivery points.

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- 4.7 The provisions pursuant to paragraph 4.1 of the RTTG, relating to tariff allowance within the limits of the benefits which can be quantified and monetized, do not apply to the interventions approved by the protection clause pursuant to point 4 of resolution 689/2017/R/GAS, as established by resolution 208/2018/R/GAS.
- 4.8 The Cassa per i Servizi Energetici e Ambientali, the *Agency for the Cooperation of Energy Regulators* and the European Commission have been notified of this provision.
- 4.9 This provision has been published on ARERA's website www.arera.it.

28 March 2019

THE CHAIRMAN
Stefano Besseghini

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**TARIFF REGULATORY CRITERIA FOR THE NATURAL GAS
TRANSMISSION AND METERING SERVICE FOR THE FIFTH
REGULATORY PERIOD 2020-2023
(RTTG)**

Approved by resolution 114/2019/R/GAS.

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Title I - GENERAL PROVISIONS

Article 1

Definitions

- 1.1 For the purpose of this provision the definitions pursuant to Article 2 of (EC) Regulation 715/2009 of 13 July 2009 (hereinafter: (EC) Regulation 715/2009), the definitions pursuant to Article 3 of (EU) Regulation 460/2017 of 16 March 2017 (hereinafter: Regulation 460/2017), the definitions pursuant to Article 2 of Legislative Decree 164 of 23 May 2000, (hereinafter Legislative Decree 164/00), as amended and supplemented by Legislative Decree 93 of 1 June 2011 (hereinafter Legislative Decree 93/11), the definitions pursuant to the resolutions of the Authority 137/02 of 17 July 2002, 231/2014/R/COM of 22 May 2014 and 312/2016/R/GAS OF 16 JUNE 2016 APPLY AS WELL AS THE FOLLOWING DEFINITIONS:
- a) **Cost-Benefit Analysis** (or **CBA**) is the economic analysis of costs and benefits prepared in line with the criteria pursuant to the resolution of 27 September 2018, 468/2018/R/gas;
 - b) **ARERA** is the Italian Regulatory Authority for Energy, Networks and Environment established pursuant to Law 481 of 14 November 1995;
 - c) **Own gas** is the quantity of gas measured for business uses, including the gas necessary for the operation of the compression stations;
 - d) **Cassa** is the Cassa per i Servizi Energetici e Ambientali;
 - e) **Network code** is the network code prepared by the transmission company pursuant to Article 24, paragraph 5 of Legislative Decree 164/00;
 - f) **capacity allocation** is the outcome of the transmission capacity process which identifies the maximum quantity of gas that each user can inject into the network or withdraw from the network, expressed as a daily volume measured at standard conditions;
 - g) **grants made by private individuals** are contributions received in line with the technical-economic criteria issued by the Authority pursuant to Article 8, paragraph 8.2 of Legislative Decree 164/00;
 - h) **overrun charges** are the charges applied pursuant to Article 17 of Resolution 137/02 of 17 July 2002, as later amended and supplemented;
 - i) **compensatory costs** are the compensatory costs, exogenous to the service, to the extent and where they are provided for by national and local regulations;
 - j) **environmental costs** are environmental costs not provided for by local and national regulations;
 - k) **(GNC) unaccounted-for gas** is the quantity of gas not metered attributable to all the uncertainties of the terms which make up the transmission network balancing equation;
 - l) **transmission system operator** is the operator carrying out transmission activities;

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- m) **main TSO** is the operator carrying out transmission activities for the majority of the national gas network;
- n) **capital increase** is the gross historical cost of the first acquisition or construction in the case of work on a time and materials basis, without taking into account any revaluations;
- o) **metering** is the activity of metering natural gas in the gas transmission networks
- p) **metering** is the activity of installing and maintaining metering facilities which involves the on-site commissioning, finalisation and launch of the metering equipment, as well as the periodic monitoring of the correction operation of said facilities and any restoration of their operation;
- q) **meter reading** is the activity that includes the operations necessary for the collection, transmission, validation, possible reconstruction, archiving, processing and making the metering data available to the parties involved;
- r) **network gas losses** are the quantities of non-metered gas due to losses resulting from fugitive, air and vented emissions of the transmission network;
- s) **regulatory period** is the fifth transmission regulatory period (5PRT), or the period between 1 January 2020 and 31 December 2023;
- t) **Network Development Plan** is the ten-year transmission network development plan that transmission businesses are obliged to prepare pursuant to Article 16 of Legislative Decree 93/11.
- u) **injection point** is the physical point in the networks at which the user makes the gas available to the transmission business for injection into the network;
- v) **delivery point** is the physical point in the networks at which the transmission business makes the gas available to the user for withdrawal from the regional network;
- w) **entry point** is the injection point, or a combination of injection points or an entry point from storage;
- x) **exit point** is a delivery point, or an exit point to storage or a physical connection point between the national network and a system of foreign pipelines;
- y) **national network** is the transmission network defined through the decree of the Ministry of Economic Development pursuant to Article 9 of Legislative Decree 164/00;
- z) **regional network** is the transmission network defined through the decree of the Ministry of Economic Development pursuant to Article 31 of Legislative Decree 93/11;
- aa) **RAST** is the Regulation for access to storage services and their delivery, approved through the resolution of 26 February 2019, 67/2019/R/GAS, as later amended and supplemented;
- bb) **RQTG** is the Regulation of the quality of the natural gas transmission service for the regulatory period 2014 - 2017 and for the transition period

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- 2018-2019, approved through the resolution of 1 February 2018, 43/2018/R/GAS, as later amended and supplemented;
- cc) **RTDG** is the Regulation of the gas distribution and metering service tariffs for the regulatory period 2014-2019, approved through the Authority resolution of 24 July 2014, 367/2014/R/GAS, as later amended and supplemented;
 - dd) **RQTG** is the Regulation of the tariffs for the liquefied natural gas regasification service for the regulatory period 2014 - -2017 and for the transition period 2018-2019, approved through the resolution of 28 September 2017, 653/2017/R/GAS, as later amended and supplemented;
 - ee) **RTSG** is the Regulation of the tariffs for the natural gas storage service for the regulatory period 2015-2018, approved through the resolution of 30 October 2014, 531/2014/R/GAS, and extended for 2019, through the resolution of 8 February 2018, 68/2018/R/GAS, as later amended and supplemented;
 - ff) **hourly balancing** is the hourly modulation of the transmission system;
 - gg) **transmission service** is the service that includes the natural gas transmission and dispatching activities as defined in the resolution of 24 March 2016, 137/2016/R/com;
 - hh) **TIB** is the Balancing Document, approved through the resolution of 16 June 2016, 312/2016/R/GAS, as later amended and supplemented;
 - ii) **TIS** is the Document of provisions with regard to the regulation of physical and economic consignments of the dispatching service (settlement), approved through the resolution of 30 July 2009, ARG/elt 107/09, as later amended and supplemented;
 - jj) **TIT** is the Document of provisions for the provisions of electricity transmission and distribution services, approved through the resolution of 23 December 2015, 654/2015/R/EEL, as later amended and supplemented;
 - kk) **TIUC** is the Document of provisions with regard to the accounting unbundling obligations and related disclosure obligations, approved through the resolution of 22 May 2014, 231/2014/R/COM, as later amended and supplemented;
 - ll) **TIWACC** is the Document containing the criteria for the calculation and updating of the rate of return on invested capital for infrastructure services in the electricity and gas sectors for the period 2016-2021 (*TIWACC* 2016-2021), approved through resolution 583/2015/R/COM, as later amended and supplemented;
 - mm) **additional services** are the additional services in relation to the transmission service and inherent in the typical activities of the business;
 - nn) **user** is the user of the gas system which acquires transmission capacity for its own use or for assignment to others

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Article 2

Scope of application

- 2.1 This provision defines the criteria for calculating the tariffs for the transmission and metering service for the fifth regulatory period, or the period between 1 January 2020 and 31 December 2023 (5PRT).
- 2.2 The tariffs, calculated on the basis of the criteria established in this provision, should be understood as the maximum tariffs or reserve prices pursuant to Article 12 of Regulation 460/2017, to be applied in the period 1 January - 31 December of each year of the regulatory period. Transmission businesses apply the tariffs, and any reductions, ensuring transparency and fair treatment of users.

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Title II - TRANSMISSION SERVICE REVENUE

Article 3

Breakdown of the target revenues of the transmission service

- 3.1 The transmission service revenue RT for each year t of the regulatory period, is equal to the sum of the allowances covering:
- a) the net invested capital (RAB) remuneration allowed for regulatory purposes (RAB) ($RT_{CAPITALE}$), pursuant to Article 4 below;
 - b) the incentives for new investments (RT_{INC}), including the additional net invested capital remuneration rate for investments made in the previous regulatory periods, pursuant to Article 5 below;
 - c) technical - economic depreciation (RT_{AMM}), pursuant to Article 6 below;
 - d) the operating costs (RT_{COR}), pursuant to Article 7 below;
 - e) the costs relating to own-gas, network losses and unaccounted-for gas (RT_{APG}), pursuant to Article 8 below;
 - f) the costs relating to the Emission Trading system (RT_{ETS}), pursuant to Article 9 below;
 - g) the costs relating to the system hourly balancing service (RA), pursuant to Article 10 below.
- 3.2 The target revenues RT are broken down into the following revenue components:
- a) RT^{CAP} , calculated as the sum of $RT_{CAPITALE}$, RT_{INC} , RT_{AMM} and RA ;
 - b) RT^{COM} , calculated as the sum of RT_{COR} , RT_{APG} , RT_{ETS} .
- 3.3 For the purpose of the management of the revenue pre-balancing mechanisms pursuant to Title VI, each transmission business also breaks down the allowances $RT_{CAPITALE}$, RT_{INC} e RT_{AMM} , between the national network ($RT^{CAP,N}$) and the regional network ($RT^{CAP,R}$), on the basis of the capital increases relating to each type of network.

Article 4

Return on invested capital

- 4.1 The allowance of the value of the fixed assets takes place on condition that the related investments are compatible with the efficiency and safety of the system and implemented in a cost-effective manner and included in the Development Plan. In cases in which, following the evaluations of the Development Plans pursuant to Article 16, paragraph 6-bis of Legislative Decree 93/11, it appears from the CBA that there is an intervention that would benefit the national gas system lower than the costs, this intervention is included in the tariff allowance within the limits of the benefits which can be quantified and compensated for.
- 4.2 For the purpose of calculating the net invested capital (RAB) allowed for 2020, the transmission business:
- a) calculates the value of the net fixed assets pursuant to paragraph 4.3;

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- b) adds the value of the net working capital, fixed at 0.8% of the gross fixed assets pursuant to paragraph 4.3, letter c);
 - c) deducts the severance pay;
 - d) deducts the value of the capital grants made by public or private organisations for the construction of infrastructures received in each year, with the exception of the grants pursuant to the next paragraph 5.8, revalued on the basis of the gross fixed investments deflator shown in Table 2, excluding the allowance already downgraded calculated as the sum of the products of the revalued contributions times the downgrading percentage of the "Pipelines" asset pursuant to Table 3.
- 4.3 For the purpose of calculating the value of the net fixed assets pursuant to paragraph 4.2, letter a), the transmission business:
- a) identifies the annual capital increases relating to the fixed assets in the financial year as at 31 December 2018 and to the fixed assets forecasted in the financial year as at 31 December 2019 on the basis of the forecast data, grouped in the categories pursuant to Table 1, for which the economic-technical depreciation provision, calculated pursuant to letter d), has not already covered their gross value; the value of the capital increases excludes the interest expense in progress (IPCO) accrued after the launch of the transmission service;
 - b) reassesses the historical costs of the increases pursuant to the previous letter a) applying the deflator of the gross fixed investments reported in Table 2;
 - c) calculates the gross fixed assets of the individual categories of assets as the sum of the values resulting from the revaluations pursuant to the previous letter b);
 - d) calculates the economic-technical depreciation provision resulting from the sum of the products, of the capital increases pursuant to the previous letter a) for the respective downgrading percentages, pursuant to Table 3;
 - e) calculates the net fixed assets subtracting from the value of the gross fixed assets value pursuant to letter c) the economic-technical depreciation fund pursuant to letter d).
- 4.4 In the years of the regulatory period following the first one, the value of the return on invested capital was updated taking into consideration:
- a) the annual average growth rate of the deflator for the gross fixed investments reported by ISTAT with reference to the previous year, the year of the presentation of the tariff proposal;
 - b) the investments during the previous year, the year of the presentation of the tariff proposal;
 - c) the investments forecasted during the year of the presentation of the tariff proposal based on the forecast data;
 - d) any capital grants obtained for investments;

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- e) the increase in the depreciation provision on the basis of the conventional periods pursuant to Table 1;
 - f) the sales and disposals made in any capacity and for the completion of the conventional useful life of the assets.
- 4.5 For the regulatory period, the actual pre-tax rate of return of the net invested capital is set and updated pursuant to the TIWACC and takes on the value pursuant to Table 4 for the gas transmission service, equal to 5.7% for the years 2020 and 2021.
- 4.6 For investments made after 31 December 2013 and by 31 December 2016, the value pursuant to paragraph 4.5 is increased by 1%.
- 4.7 A rate to cover financial expenses is added to the value of the assets under construction forecasted in the financial statements as at 31 December of the year of the presentation of the tariff proposal on the basis of the forecast data: it is calculated as the return rate, defined on the basis of the criteria pursuant to the TIWACC in the scenario where the ratio between debt capital and equity is 4. For the years 2020 and 2021, the value of the rate for covering financial expenses is 5.3%.
- 4.8 The transmission business which provides transmission services through infrastructures owned by parties other than the business itself calculates the target revenues pursuant to paragraph 3.1 taking into consideration, for the purpose of calculating the fixed assets, the capital increases used for providing the transmission service in the financial statements of parties other than the business itself, as well as any capital grants relating to these infrastructures.

Article 5

Investment incentive criteria

- 5.1 The value of the return on the net invested capital for calculating the additional return pursuant to subsequent paragraphs 5.2 and 5.3 is calculated using the same criteria pursuant to the previous paragraph 4.2, letters a) and d), and updated in accordance with the same criteria pursuant to the previous paragraph 4.4.
- 5.2 For the purpose of calculating the revenue due to the additional return for the new investments entered into operation during the year in the previous regulatory periods, the criteria set out by the respective resolutions of the Authority 166/05, ARG/gas 184/09, and 575/2017/R/GAS are applied.
- 5.3 An additional return rate equal to 1.5% allowed for 10 years is applied to new investments into operation in the years from 2020 to 2022 which comply with the requirements pursuant to subsequent paragraphs 5.4 and 5.5.
- 5.4 The additional return pursuant to paragraph 5.3 applies to the interventions:
- a) included in the Development Plan pursuant to Article 16 of Legislative Decree 93/11 which have a benefit/cost ratio higher than 1.5, according to the Cost-Benefit Analysis;

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- b) included in the list of interventions already launched pursuant to the resolution of 5 April 2018, 208/2018/R/GAS.
- 5.5 The following interventions are excluded from the application of the additional return pursuant to paragraph 5.3:
- a) those not included in the Plan;
 - b) those included in the Plan but not coming under the thresholds for the application of the economic analysis of the costs and benefits pursuant to Article 9 of Annex A of the resolution of 27 September 2018, 468/2018/R/GAS;
 - c) those that the provider is obliged to implement by virtue of the legislative and/or regulatory provisions;
 - d) those involving the maintenance, replacement or quality and safety of the network.
- 5.6 If an intervention is included in the Plan but does not contain all the information elements necessary for evaluation, it is allowed on a temporary basis for the base return only provided that, in the subsequent Plan, the transmission business gives all the necessary elements for the evaluation of the intervention.
- 5.7 Investments that are into operation in 2023 will be subject to the output-based incentive mechanisms defined on the basis of subsequent provisions.
- 5.8 If grants are obtained relating to the *Connecting Europe Facility* programme, transmission businesses have the right to receive additional return revenues for the purpose of one-off tariffs, equal to 10% of the grant received, in any event limited to 5% of the total value of the investment related to the intervention that is the subject of the grant.

Article 6

Economic and technical depreciation

- 6.1 For the purpose of calculating the economic and technical depreciation pursuant to paragraph 3.1, letter c), for 2020, the transmission business:
- a) calculates the gross fixed assets of the individual categories of assets relating to the investments as at 31 December 2018 which, at that date, have not completed their conventional tariff period, in line with the criteria pursuant to the previous paragraph 4.3, letters a) to c);
 - b) subtracts from the gross fixed assets of the individual categories of assets pursuant to the previous letter a), the value of any capital grants provided by public or private organisations, revalued by applying the gross fixed investments deflator, without prejudice to the provisions of the next paragraph 6.2;
 - c) calculates the annual depreciation by dividing the value pursuant to letter b), for each category of assets, by the conventional tariff period given in Table 1;

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- d) adds the annual depreciation pursuant to the previous letter c), relating to the various categories.
- 6.2 The value of the public capital grants received in the regulatory period to cover infrastructure costs is not deducted from the gross fixed assets relating to the "Pipelines" for a period of 5 years from when the contribution is received.
- 6.3 In the years of the regulatory period following the first one, the allowance covering depreciation is updated taking into consideration:
- a) the annual average growth rate of the deflator for the gross fixed investments reported by ISTAT with reference to the previous year, the year of the presentation of the tariff proposal;
 - b) the investments entered into operation during the previous year, the year of the presentation of the tariff proposal;
 - c) any capital grants obtained for investments;
 - d) the sales and disposals made in any capacity and for the completion of the conventional useful life of the assets.

Article 7

Operating costs

- 7.1 The allowance covering operating costs is calculated, for 2020, on the basis of the operating costs actually incurred by the transmission businesses. The actual operating costs include all cost items of a recurring nature actually incurred in 2017 and allocated to the transmission service, and are calculated, within the limits established in the next paragraph 7.3, on the basis of the separate annual accounts prepared pursuant to the TIUC, excluding the costs attributed to other activities, revenues for the internal sale of goods and services and capitalised costs.
- 7.2 If significant overruns are found between the cost items incurred in 2017 and those incurred in previous years, where they are not clearly justified by the transmission business, the actual operating costs are calculated on the basis of an average of the specific cost item in 2015-2017, excluding the non-recurring part.
- 7.3 The transmission businesses can submit an application to include any specific cost items of a recurring nature relating to 2018 in the actual operating costs pursuant to paragraph 7.1, increased compared with 2017, as can be deduced from the final figures. For the purpose of recognising these cost items, the businesses are obliged to demonstrate the requirements of admissibility and efficiency pursuant to this Article.
- 7.4 The following cost items should not be included in the actual operating costs pursuant to paragraph 7.1, or through the allocation of joint service cost allowances and shared operating functions:
- a) costs relating to the rental of infrastructures owned by other businesses;
 - b) provisions, other than depreciation, made to apply tax laws or to hedge risks and charges;

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- c) financial expense and value adjustments for financial assets;
- d) extraordinary expenses;
- e) costs for insurance, if not expressly required by specific regulatory obligations;
- f) expenses for sanctions, penalties and damages, as well as costs incurred for litigation where the business is the losing party;
- g) costs relating to the acquisition of emission allowances for the Emission Trading system and own-gas, network losses and unaccounted-for gas;
- h) costs associated with donations;
- i) advertising and marketing costs, excluding expenses resulting from obligations pertaining to transmission businesses where hedging is not guaranteed by specific provisions;
- j) costs related to the natural gas alternative transmission system through tanker lorries, due to emergencies where the causes come under those pursuant to paragraph 15.1, letter c) of the RQTG.

7.5 If the actual operating cost calculated pursuant to the previous paragraphs from 7.1 to 7.4 are lower than the operating costs allowed for 2017, excluding the residual share of the greater efficiencies achieved during the previous regulatory periods, the allowance covering operating costs is calculated on the basis of the following formula:

$$RT_{COR_{20}} = (COE_{17} + PS3_{4PRT}) \cdot \prod_{i=18}^{20} (1 + RPI_i)$$

where:

- COE_{17} is the level of the actual operating costs calculated pursuant with the previous paragraphs from 7.1 to 7.4;
- $PS3_{4PRT} = 0.5 \cdot \left[COR_{17} - \frac{5}{9} PS2_{12} \cdot \prod_{i=13}^{17} (1 + RPI_i) - \frac{1}{9} PS1_{08} \cdot (1 + RPI_i - X_{2PRT}) \cdot \prod_{i=10}^{17} (1 + RPI_i) - COE_{17} \right]$

is the symmetrical split between transmission businesses and users of the greater efficiencies achieved by the businesses during the fourth regulatory period, where:

- COR_{17} are the tariff revenues achieved in 2017, equal to the product of the commodity charge CV of the business and the volume of gas equal to 67,166,959,978 standard cubic metres;
- $PS2_{12}$ is the symmetrical split between businesses and users of the greater efficiencies achieved by the businesses during the third regulatory period;

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- PSI_{08} is the symmetrical split between businesses and users of the greater efficiencies achieved by the businesses during the second regulatory period;
- X_{2PRT} is the annual productivity recovery target in force in the second regulatory period, equal to 3.5%;
- RPI_i is the annual inflation rate significant for the purpose of applying the operating costs updating mechanism, which takes on a value equal to 1.7% for 2009, 2.1% for 2010, 0.9% for 2011, 2.1% for 2012, 3.1% for 2013, 2.1% for 2014, 0.6% for 2015, -0.1% for 2016, -0.1% for 2017, 0.7% for 2018, 1.1% for 2019, 1.1% for 2020.

7.6 If the actual operating costs calculated pursuant to the previous paragraphs from 7.1 to 7.4 are higher than the allowed operating costs for 2017, excluding the residual share of the greater efficiencies achieved during the previous regulatory periods, the allowance covering operating costs is calculated on the basis of the same formula pursuant to paragraph 7.5, where the parameter $PS3_{4PRT}$ is negative.

7.7 In the years of the regulatory period after the first one, the allowance covering operating costs is subject to annual updating based on the following formula:

$$RT_{COR,t} = RT_{COR,t-1} \cdot (1 + RPI_{t-1} - X + Y + Z)$$

where:

- RPI_{t-1} is the annual average growth rate of consumer prices for the families of blue- and white-collar workers measured by ISTAT, with reference to the year before the presentation year of the tariff proposal;
- X is the predefined annual productivity recovery rate (X -factor), calculated according to the criteria in the next paragraph 7.8;
- Y is an additional variation parameter of allowed operating costs which takes into account costs resulting from unforeseeable and exceptional events and changes in the regulatory framework, pursuant to the next paragraph 7.10;
- Z is an additional variation parameter of allowed operating costs which takes into account incremental costs resulting from new investments pursuant to the next paragraph 7.11;

7.8 The annual predefined productivity recovery rate (X -factor) is identified according to the following formula:

$$X_{5PRT} = 1 + RPI_{WACC} - \sqrt[3]{\frac{COR_{obiettivo}}{RT_{COR,20}}}$$

where:

- RPI_{wacc} is the forecasted annual rate of inflation for calculating the WACC (equal to 1.7%);

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- $COR_{obiettivo}$ is calculated pursuant to the next paragraph 7.9.

7.9 The allowed operating cost objective as significant for the purpose of calculating the X factor for the 5PRT is calculated:

- a) for the businesses pursuant to paragraph 7.5, on the basis of the following formula:

$$COR_{obiettivo} = COE_{17} \cdot \prod_{i=18}^{20} (1 + RPI_i) \cdot (1 + RPI_{WACC})^3$$

- b) for the businesses pursuant to paragraph 7.6, on the basis of the following formula:

$$COR_{obiettivo} = [COR_{17} - \frac{5}{9} PS_{212} \cdot \prod_{i=13}^{17} (1 + RPI_i) - \frac{1}{9} PS_{108} \cdot (1 + RPI_i - X_{2PRT}) \cdot \prod_{i=10}^{17} (1 + RPI_i)] \cdot \prod_{i=18}^{20} (1 + RPI_i) \cdot (1 + RPI_{WACC})^3$$

7.10 Transmission businesses can submit an application for the activation of the Y parameter to cover the costs resulting from unforeseeable and exceptional events and changes in the regulatory framework. Businesses that submit an application are obliged to demonstrate that these costs are incremental compared with the actual costs considered in the base year, as well as the actual unforeseeable and exceptional nature of the events considered; with reference to regulatory changes, the businesses are obliged to demonstrate any activities already carried out and the related costs in the base year, as well as additional activities that have become necessary to apply these new regulations.

7.11 Businesses can submit an application for the activation of parameter Z to cover the incremental costs resulting from new investments made pursuant to paragraph 5.3. Businesses that submit an application are obliged to:

- a) guarantee that these costs are incremental compared with the overall allowed operating costs (including any residual shares of the greater efficiencies achieved during the previous regulatory periods), through a comparison between the operating costs actually incurred in the financial year prior to the presentation of the tariff proposal, calculated pursuant to paragraphs 7.1 to 7.4, and the value of the allowed operating costs in the same year;
- b) demonstrate that this difference is directly attributable to the incremental costs generated by the above-mentioned new investments made;
- c) guarantee the separate accounting evidence of the above-mentioned costs and the direct imputability to the new infrastructures created, as well as demonstrating their pertinence to the service;
- d) demonstrate that these costs are compatible with the principles of the cost effectiveness and efficiency of the service.

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Article 8

Costs relating to own-gas, network losses and unaccounted-for gas

- 8.1 Calculating the allowance covering costs relating to own-gas, network losses and unaccounted-for gas (RT_{APG}) is determined taking into consideration:
- a) the allowed quantities of natural gas pursuant to the next paragraph 8.2, and the related valuation pursuant to the next paragraph 8.3;
 - b) with reference exclusively to own-gas, any differences between the allowed quantities and the quantities actually consumed in the year prior to the year of the presentation of the tariff proposal.
- 8.2 In each year of the regulatory period, the allowed quantities of natural gas:
- a) to cover own gas are approved by the Authority based on the proposals from the transmission businesses, in relation to the network structures planned in the next year and the historical data available;
 - b) to cover the network losses are approved by the Authority based on the proposals from the transmission businesses, in relation to the efficient emission factors included in Table 6;
 - c) to cover unaccounted-for gas are approved by the Authority based on a proposal from the main TSO to an extent equal to the average of the quantities of unaccounted-for gas recorded in the last four available years.
- 8.3 The allowed quantities of gas to cover own-gas, losses and unaccounted-for gas are valued on the basis of the average weighted price of forward products with delivery to the PSV (Virtual Trading Point) in the reference tariff year, taking into account the profile with which these quantities become necessary during the course of the year.
- 8.4 The allowed quantities of gas to cover own-gas, losses and unaccounted-for gas are procured by the most important business, as it is responsible for the balancing, within the centralised gas market. Transmission businesses other than the most important one pay the latter for the expenses incurred for the procurement of the allowed quantities of gas to cover own-gas, losses and unaccounted-for gas under the scope of the regulation of the operational balancing account pursuant to Article 4 of the TIB.

Article 9

Costs relating to the Emission Trading system

- 9.1 Calculating the allowance to cover the costs relating to the Emission Trading system (RT_{ETS}) is determined taking into consideration:
- a) the allowed quantities of Emission Trading permits pursuant to the next paragraph 9.2, and the related valuation pursuant to the next paragraph 9.4;
 - b) from the third year of the regulatory period, any differences in the quantities of Emission Trading permits resulting from the difference between the value

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- of the target driver forecasted for the year $t-2$ and the final value of said driver;
- c) from the third year of the regulatory period, any differences between the unit value of the allowed quantities of Emission Trading permits for the year $t-2$ pursuant to the next paragraph 9.4 and the average unit value recorded in the same year.
- 9.2 The allowed quantities of Emission Trading permits are equal, for each year t , to the product of:
- a) the unit quantity of Emission Trading permits depending on a given target driver;
 - b) the forecasted target driver for the tariff year;
- excluding any allowances obtained free of charge.
- 9.3 The target driver and the unit quantity dependent on this driver are proposed by the main TSO under the scope of the tariff proposal pursuant to the next paragraph 33.1, and are subject to approval by the Authority. The unit quantity proposal dependent on the driver should include a comparison with the same figure for the last four years available.
- 9.4 The valuation of the Emission Trading permits is calculated on the basis of the average value, recorded in the latest year available, of the prices for European public auctions for these permits.

Article 10

Costs relating to the system hourly balancing service

- 10.1 Businesses which carry out transmission activities in the national network receive a further revenue component RA , equal to the sum of the following items:
- a) costs relating to the storage services for the purpose of the hourly modulation necessary for the hourly balancing of the system, based on the storage tariffs;
 - b) any difference between the cost actually incurred in the year $t-2$ and the allowed revenue RA for the same year $t-2$.

Article 11

Target revenues relating to new transmission businesses

- 11.1 For the purpose of calculating the target revenues for the first effective year of the provision of the transmission services, businesses launching transmission activities in the regulatory period through new transmission networks calculate the annual allowances relating to the net invested capital return, the incentives for making new investments and the economic and technical depreciation according to the criteria indicated in paragraph 3.1, letters a), b) and c), based on the value of the capital increases relating to the fixed assets in the draft financial statements for the year prior to the year of the presentation of the tariff proposal and the fixed assets which

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are forecasted in the year of the presentation of the tariff proposal, based on the forecast data. These allowances are updated in accordance with the criteria indicated in paragraphs 4.4 and 6.3.

- 11.2 For the purpose of calculating the net fixed assets, new businesses can include any capitalised financing expenses in the value of the capital increases, worth no more than the value resulting from the application, on the value of the investments in progress and for their duration, of an interest rate calculated for each year in line with the criteria in paragraph 4.5.
- 11.3 The annual allowance attributable to operating costs:
 - a) in the first launch years of the effective provision of the transmission service, until the final figures relating to the actual operating costs can be deduced from financial statements that represent an entire financial year, the figure is proposed by the businesses and subject to verification by the Authority; this proposal should include a comparison with similar organisations or evidence of procedures to minimise expenses;
 - b) for subsequent years, it is calculated starting with the financial statements for the year prior to the year of the presentation of the tariff proposal, based on the general criteria pursuant to paragraphs 7.1 to 7.4, and updated annually in accordance with the criteria pursuant to paragraph 7.7 excluding the application of parameter X.
- 11.4 If a new transmission business starts providing a service during the year, the value of the target revenue is re-proportioned on the basis of the days in which the service is effectively available.
- 11.5 If a new transmission business is established after a reclassification of sections of the distribution network, the invariance principle of the costs for users of the natural gas system will be protected: any reclassification of the existing networks cannot cause an increase in the costs covered by the natural gas infrastructure service tariffs at the time this reclassification becomes operational. Sections of the existing distribution network reclassified as regional transmission will not therefore be allowed in the transmission tariff unless there is an equivalent waiver, in terms of covering costs, under the distribution tariff. Additionally, in compliance with the non-interference principle, for users of the system, the costs resulting from the mere reclassification of the networks, if it can be demonstrated that there is an increase in the profitability of the business from the reclassification of the networks, the Authority reserves the right to possibly limit the return rate in order to guarantee the same profitability that the business had before the reclassification.

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Title III - METERING SERVICE REVENUE

Article 12

Breakdown of the target revenues of the metering service

- 12.1 The metering service target revenue RM is equal to the sum of the allowances covering:
- a) the allowed return of the net invested capital for regulatory purposes ($RM_{CAPITALE}$), calculated by applying the same criteria pursuant to Article 4, applying the categories of assets and the related conventional tariff period given in Table 1 and the downgrading percentages pursuant to Table 4;
 - b) the incentives for achieving new investments (RM_{INC}), including the additional return rate for the net invested capital for investments made in previous regulatory periods, calculated by applying the same criteria pursuant to Article 5, applying the same categories of assets as included in Table 1 and the downgrading percentages pursuant to Table 4;
 - c) the economic and technical depreciation (RM_{AMM}), calculated by applying the same criteria pursuant to Article 6;
 - d) the operating costs (RM_{COR}), calculated applying the same criteria pursuant to Article 7, with the exclusion of the application of parameter X .
- 12.2 For the purpose of calculating the metering service charges pursuant to Title V, the target revenue RM is broken down into the following revenue components:
- a) RM^{MT} , to cover the costs relating to the metering activity, excluding the costs relating to the metering systems at end users;
 - b) RM^{CF} , to cover the costs relating to metering systems at end users.

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Title IV - TRANSMISSION SERVICE CHARGES

Article 13

Transmission tariff for a continuous service on an annual basis

- 13.1 The transmission tariff T for a continuous transmission service on an annual basis is obtained from the following formula:

$$T = K_e \cdot CP_e + K_u \cdot CP_u + V \cdot CV + V_{FC} \cdot CV_{FC}$$

where:

- K_e is the capacity allocated to the user at the entry point e of the national network (or a connection point with abroad, for the entry of LNG terminals, entry from storage, entry from national production), expressed in cubic metres/day;
 - CP_e is the transmission capacity-based charge relating to allocations at the entry point e of the national network, expressed in euro/year/cubic metre/day;
 - K_u is the capacity allocated to the user at the exit point u of the network (or a connection point with abroad, exit to storage, delivery), expressed in cubic metres/day;
 - CP_u is the transmission capacity-based charge relating to allocations at the entry point e of the national network, expressed in euro/year/cubic metre/day;
 - V is the quantity of gas withdrawn from a network exit point u , expressed in cubic metres;
 - V_{FC} is the quantity of gas withdrawn from a network exit point u , with the exception of the exit points connected with abroad, expressed in cubic metres;
 - CV is the commodity charge, expressed in euro/cubic metre;
 - CV_{FC} is the additional commodity charge for the recovery of revenue, expressed in euro/cubic metre.
- 13.2 The commodity charges that are part of the tariff T are expressed with reference to a standard cubic metre of gas at an absolute pressure of 1.01325 bar at a temperature of 15 °C.

Article 14

Transmission tariff for a continuous service on a basis of less than one year

- 14.1 In cases of infra-annual capacity-based allocations at the entry and exit points connected with abroad, the capacity-based charges CP_e and CP_u are applied, re-proportioned on a daily basis, multiplied by the multiplication coefficients given in Table 5.

Article 15

Transmission tariff for the interruptible service

- 15.1 The main TSO makes an interruptible transmission service available at the entry points connected with abroad in accordance with the methods defined in the Network Code applying reduced capacity-based charges CP_e compared with those

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calculated using the methods in Article 16 in order to reflect the risk associated with the interruption to the service, ensuring transparency and fair treatment for service users.

- 15.2 The main TSO publishes the criteria adopted for calculating the interruptible and continuous capacities at the entry points.

Article 16

Capacity-based charges

- 16.1 The revenues to recover through the application of the capacity-based charges are equal, in each year t of the regulatory period, to the difference between:
- the sum, for all transmission businesses, of the target revenue attributable to the component RT^{CAP} pursuant to paragraph 3.2, letter a), relating to the year t ;
 - the revenue RSC resulting from the application of the overrun charges at the network entry and exit points in the year $t-2$, including the penalties paid in that year pursuant to paragraph 10.1 of Resolution 168/06 of 31 July 2006, within the limits of a threshold equal to 5% of the target revenue attributable to the component RT^{CAP} pursuant to paragraph 3.2, letter a); the price adjustments of the overrun revenue pertaining to the previous years are also taken into consideration under the scope of the component RSC calculated following the TIS settlement sessions.
- 16.2 The revenue in the previous paragraph, letter b) exceeding the 5% threshold is considered for the purpose of calculating the capacity-based charges for the year $t+1$.
- 16.3 The capacity-based charges CP_e and CP_u are calculated using the methodology based on the capacity weighted distance based on the following procedure:
- the weighted average distance is calculated for each entry point, determined as the sum of the products of the allocation capacity at each exit point and the distance between the entry point and each exit point, divided by the sum of the forecasted allocation capacities at each exit point, based on the following formula:

$$AD_{En} = \frac{\sum_{allEx} CAP_{Ex} \cdot D_{En,Ex}}{\sum_{allEx} CAP_{Ex}}$$

where:

- AD_{En} is the weighted average distance for an entry point;
- CAP_{Ex} is the planned allocation capacity at an exit point;
- $D_{En,Ex}$ is the distance between a given entry point and a given exit point;

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for the purpose of the calculations in letter a), the national production entry points are combined into 10 entry points from the production hubs; the distance to the exit points is calculated for each hub taking into consideration the distance from the most representative production point in terms of volumes injected;

- b) the weighted average distance is calculated for each exit point, determined as the sum of the products of the allocation capacity at each entry point and the distance between the exit point and each entry point, divided by the sum of the planned allocation capacities at each entry point, based on the following formula:

$$AD_{Ex} = \frac{\sum_{allEn} CAP_{En} \cdot D_{En,Ex}}{\sum_{allEn} CAP_{En}}$$

where:

- AD_{Ex} is the weighted average distance for an exit point;
- CAP_{En} is the planned allocation capacity at an entry point;

for the purpose of the calculation in letter b), the delivery points are combined into 12 exit points, determined on the basis of the 6 withdrawal areas and 2 clusters depending on the distance from the national network (less/more than 15 kilometres); the distance from each entry point to each group of delivery points is calculated as the sum of:

- a national network distance, calculated as the average distance from the entry point to the main interception and offtake points (PIDI) of the group of delivery points, weighted for each PIDI according to the planned allocation capacities at each PIDI underlying point.
- a regional network distance, calculated as the average - for the PIDs for the delivery points group - of the PIDI-delivery point distances, weighted by the planned allocation capacity at the delivery points;

- c) the impact of the cost for each entry point and each exit point is calculated using the following formulae:

$$W_{c,En} = \frac{CAP_{En} \cdot AD_{En}}{\sum_{allEn} CAP_{En} \cdot AD_{En}}$$

$$W_{c,Ex} = \frac{CAP_{Ex} \cdot AD_{Ex}}{\sum_{allEx} CAP_{Ex} \cdot AD_{Ex}}$$

where:

- $W_{c,En}$ is the impact of the cost for a given entry point;
- $W_{c,Ex}$ is the impact of the cost for a given exit point;

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- d) the part of the revenues relating to transmission services to be recovered through the transmission tariffs applied to the capacity at each entry point and for each exit point is calculated using the following formulae:

$$R_{En} = W_{c,En} \cdot R_{\Sigma En}$$

$$R_{Ex} = W_{c,Ex} \cdot R_{\Sigma Ex}$$

where:

- R_{En} is the part of the revenues relating to transmission services to be recovered through the transmission tariffs applied to the capacity at an entry point;
 - R_{Ex} is the part of the revenues relating to transmission services to be recovered through the transmission tariffs applied to the capacity at an exit point;
 - $R_{\Sigma En}$ is equal to 28% of the revenues relating to transmission services to be recovered through the transmission tariffs applied to the capacity;
 - $R_{\Sigma Ex}$ is equal to 72% of the revenues relating to transmission services to be recovered through the transmission tariffs applied to the capacity;
- e) the resulting values pursuant to letter d) are divided by the planned allocation capacity at each entry point and each exit point using the following formulae:

$$T_{En} = \frac{R_{En}}{CAP_{En}}$$

$$T_{Ex} = \frac{R_{Ex}}{CAP_{Ex}}$$

where:

- T_{En} is the pre-adjustment charge at an entry point;
 - T_{Ex} is the pre-adjustment charge at an exit point;
- f) compared with the values as resulting from previous letter e):
- i. a single-entry charge at a national level is calculated from the specific entry charges;
 - ii. a single exit charge at a national level is calculated from the specific exit charges;
 - iii. a single exit charge at a national level is calculated from the specific exit to withdrawal area charges;
- g) compared with the values resulting from letter f), i. and ii., a 50% discount is applied to the entry from storage charge and the exit to storage charge;

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- h) for the purpose of calculating the entry and exit charges, two reportioning multiplication coefficients are applied to the values resulting from the previous letters, calculated in such a way as to guarantee, respectively, the covering of the revenue $R_{\Sigma En}$ and $R_{\Sigma Ex}$ on the basis of the planned allocation capacities CAP_{En} and CAP_{Ex} .

16.4 Under the scope of the methodology pursuant to paragraph 16.2, the planned allocation capacity in a given tariff year is calculated as the weighted average of the planned allocation capacity in the two significant thermal years for this year. The forecast is made by the transmission businesses based on the best information available at the time the tariff proposal is presented and is subject to approval by ARERA. This forecast also includes the forecasts relating to the following allocations:

- a) the infra-annual capacity, taking into account the reportioning on an annual basis as well as the level of the multiplication coefficients reported in Table 5;
- b) the interruptible capacity, taking into account the discount applied pursuant to Article 15.

Article 17

Commodity charge

17.1 The commodity charge CV is calculated for each year t of the regulatory period using the following formula:

$$CV_t = \frac{RT_t^{COM}}{Q_t^{COM}}$$

where:

- RT_t^{COM} is the sum, for all transmission businesses, of the revenue components pursuant to paragraph 3.2, letter b), relating to the year t ;
- Q_t^{COM} are the target volumes for the year t , equal to the quantities of natural gas withdrawn from the network at the exit points to storage facilities, the connection points with foreign facilities, and the delivery points, in the year $t-2$.

17.2 For each year t of the regulatory period, the specific business commodity charge $CV_{t,i}$ is calculated by dividing the revenue component $RT_{t,i}^{COM}$ of each transmission business by the target volumes Q_t^{COM} .

17.3 The commodity charge CV is applied to the quantities withdrawn from the network at the transmission network exit points, or at the delivery points, the exit points to storage facilities and the connection points with foreign facilities.

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Article 18

Additional charge for the recovery of revenue

- 18.1 The additional charge for the recovery of revenue CV_{FC} is calculated by ARERA for each year t of the regulatory period using the following formula:

$$CV_{FC,t} = \frac{FC_{t-2}^T}{Q_t^{FC}}$$

where:

- FC_{t-2}^T is the sum, for all transmission businesses, of the corrective factors for the transmission revenue pursuant to Article 29 and Article 30 pertaining to the year $t-2$;
 - Q_t^{FC} are the target volumes for the year t significant for the application of the charge CV_{FC} , equal to the quantities of natural gas withdrawn from the exit points to the storage facilities and at the delivery points, in the year $t-2$.
- 18.2 The additional charge for the recovery of the revenue CV_{FC} is applied to the quantities withdrawn from the network at the transmission network exit points corresponding to the delivery points and the exit points to storage facilities, plus (if the sign is positive) or minus (if the sign is negative) the commodity charge CV .
- 18.3 The transmission businesses, together with the Cassa, regulate the prices relating to the additional charge for the recovery of revenue CV_{FC} on a two-monthly basis, under the "Transmission expenses account", paying (if the sign is positive) or receiving (if the sign is negative) the sums resulting from the application of said charge.
- 18.4 Without prejudice to the previous paragraph 18.1, for the purpose of measuring the additional payment CV_{FC} , ARERA also takes into account any extraordinary financing requirements or surpluses of the "Transmission expenses account".

Article 19

Unconnected transmission networks

- 19.1 The transmission service charges for new networks that are not connected to the existing transmission network are calculated on the basis of the following principles:
- a) allocation of the cost of the unconnected transmission networks exclusively to the respective users of the transmission service;
 - b) application of a distinct and simplified methodology compared with the one used for the existing network, pursuant to Article 16.

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Title V - NON-TRANSMISSION SERVICE CHARGES

Article 20

Metering service charge

- 20.1 For each year t of the regulatory period, the charge CM^T covering meter reading and metering activities, which is the direct responsibility of the transmission business, expressed in euro/year/cubic metre/day, is calculated on the basis of the following formula:

$$CM_t^T = \frac{RM_t^T + FC_{t-2}^M}{CAP_t^T}$$

where:

- RM_t^T is the sum for all transmission businesses, for the year t , of the components covering the costs related to metering activities, excluding capital costs relating to metering systems at end users, pursuant to paragraph 12.2, letter a);
 - CAP_t^T are the allocation capacities for the year t at the transmission network delivery points;
 - FC_{t-2}^M is the corrective factor of the revenues for the metering service pursuant to subsequent Article 32 pertaining to the year $t-2$.
- 20.2 For each year t of the regulatory period, the specific business charge $CM_{t,i}^T$ is calculated by dividing the sum of the revenue component $RM_{t,i}^T$ and the corrective factor $FC_{t-2,i}^M$ of each transmission business i by the planned allocation capacities $CAP_{t,i}^T$ attributable to each transmission business i .
- 20.3 The charge CM^T is applied to the capacity allocated at the transmission network delivery points.

Article 21

Charge for the metering service at end users

- 21.1 For each year t of the regulatory period, the charge CM^{CF} covering metering activities at the end user delivery points, expressed in euro/year/cubic metre/day, is calculated on the basis of the following formula:

$$CM_t^{CF} = \frac{RM_t^{CF}}{CAP_t^{CF}}$$

where:

- RM_t^{CF} is the sum for all transmission businesses, for the year t , of the components covering the costs related to metering systems at end users, pursuant to paragraph 12.2, letter b);

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- CAP_t^{CF} are the planned allocation capacities for the year t at the transmission network delivery points owned by end users who have transferred the metering system to the transmission business.
- 21.2 For each year t of the regulatory period, the specific business charge $CM_{t,i}^{CF}$ is calculated by dividing the revenue component $RM_{t,i}^{CF}$ of each transmission business i by the planned allocation capacities $CAP_{t,i}^{CF}$ attributable to each transmission business i .
- 21.3 The charge CM^{CF} is applied to the allocated capacity at the transmission system delivery points where the ownership of the metering system has been transferred to the transmission business.

Article 22

Charges for the provision of additional services

- 22.1 The transmission business has the right to offer additional services, in a transparent and non-discriminatory manner, in any event, under the scope of its typical business.
- 22.2 The economic conditions under which these additional services are offered are determined on the basis of the costs underlying the service offered, identified by the allowed costs for the transmission service not already included in the allowed operating costs.
- 22.3 The transmission business governs and discloses the technical and economic conditions for the provision of the additional services under the scope of its own Network Code and it offers the services ensuring transparency and fair treatment for users.

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Title VI - COMPENSATION AND RECONCILIATION MECHANISMS

Article 23

Definition of charges for compensation

- 23.1 For the purpose of the management of the compensation mechanisms, the charge CP_u is broken down into the following pro-forma charges CP_u^R and CP_u^N .
- 23.2 The pro-forma charge CP_u^R , which refers to regional network revenue, is defined as the ratio between:
- a) the regional network revenue $RT^{CAP,R}$ pursuant to paragraph 3.3, excluding the share of revenue RSC and the penalties pursuant to paragraph 16.1, letter b), attributable to the delivery points only;
 - b) the planned allocation capacities at the delivery points.
- 23.3 The pro-forma charge CP_u^N , which refers to national network revenue, is defined as $CP_u^N = (CP_u - CP_u^R)$.
- 23.4 For the purpose of the management of the revenue compensation mechanism for the regional network pursuant to the subsequent Article 25, there is a specific business pro-forma charge $CP_{u,i}^R$ defined for each transmission business i that carries out transmission activities in the regional network, calculated by dividing the revenue component $RT_i^{CAP,R}$ of each transmission business i by the planned allocation capacities at the delivery points attributable to each transmission business i .

Article 24

Compensation of national network revenue relating to the proceeds associated with exit charges

- 24.1 The compensation of national network revenue relating to the proceeds associated with exit charges CP_u (T^{CU}) is aimed at transferring the share of revenue pertaining to the national network of the transmission businesses which collect the proceeds of the application of the charge CP_u to the businesses that carry out transmission activities in the national network. The compensation amount T^{CU} relating to the charge CP_u is equal to:

$$T_i^{CU} = CP_u^N \cdot K_{u,i}$$

where $K_{u,i}$ is the capacity actually allocated at the exit points u attributable to the transmission business i .

- 24.2 The transmission business i is obliged to transfer the compensation amount T^{CU} pursuant to the previous paragraph to the main TSO on a monthly basis.
- 24.3 The revenue compensation management methods pursuant to the previous paragraph 24.1, as well as the distribution of the national network proceeds among

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the national network transmission businesses, is dealt with by specific revenue distribution agreements signed pursuant to the subsequent Article 28.

Article 25

Compensation of revenues relating to the regional network

- 25.1 The compensation of the revenue relating to the regional network (T^{CR}) is aimed at guaranteeing that each transmission business i that carries out transmission activities in the regional network receives proceeds commensurate with the amount of own allowed revenues in relation to the regional network. The compensation amount T^{CR} of the transmission business i relating to the regional network revenue is equal to:

$$T_i^{CR} = (CP_{u,i}^R - CP_u^R) \cdot K_{u,i}$$

- 25.2 The Cassa, complying with the methods set out in this article, makes provision for the quantification and settlement, for each transmission business pursuant to paragraph 25.1, of the balances resulting from the application of the compensation mechanisms.
- 25.3 For the purpose of the provisions of paragraph 25.2:
- a) by 31 January of each year, every transmission business must provide the Cassa with the necessary information for calculating the compensation amount pursuant to paragraph 25.1; the Cassa defines the transmission methods for the above-mentioned information in line with the arrangements of this provision within 90 days of the publication of same;
 - b) by 31 March of each year, the Cassa notifies ARERA and each transmission business of the compensation amount T^{CR} ;
 - c) by 30 April of each year, under the "Transmission expenses account":
 - i) each transmission business pays the Cassa what is due;
 - ii) the Cassa settles what comes under the remit of each transmission business.

Article 26

Compensation of revenue relating to the commodity charge

- 26.1 The compensation of the revenue relating to the commodity charge CV pursuant to Article 17 is dealt with by specific revenue distribution agreements signed pursuant to the subsequent Article 28.

Article 27

Compensation of revenue relating to charges for the metering service

- 27.1 The compensation of the revenue relating to the charges for the metering service pursuant to Article 20 and Article 21 is dealt with by specific revenue distribution agreements signed pursuant to the subsequent Article 28.

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Article 28

Distribution of revenue between transmission businesses

- 28.1 Once a year, within 90 days of the approval date of the tariff proposals, the transmission businesses contractually define the methods for the management of the national network revenue compensation pursuant to Article 24, as well as for the distribution of the revenue from the application of the charges for the transmission service pursuant to Article 16 and Article 17 and the revenue from the application of the charges for the metering service pursuant to Article 20 and Article 21.
- 28.2 A copy of the contracts pursuant to the previous paragraph 28.1 is sent to ARERA within 15 days of signing.
- 28.3 If the contracts in the previous paragraph 28.1 are not concluded within the anticipated deadline, ARERA arranges it, having listened to the businesses involved.

Article 29

Corrective factor for the transmission service capacity revenue

- 29.1 For each transmission business, the corrective factor for the transmission service capacity revenue $FC^{T,CAP}$ pertaining to each year t of the regulatory period is calculated using the following formula:

$$FC_t^{T,CAP} = RT_t^{CAP} - RSC_t - RT_t^{CAP,eff} + \Delta RT_t^{CONS}$$

where:

- $FC_t^{T,CAP}$, is the corrective factor for the transmission service capacity revenue, pertaining to the year t ;
- RT_t^{CAP} is the revenue component pursuant to paragraph 3.2, letter a), for the year t ;
- RSC_t is the component pursuant to paragraph 16.1, letter b), considered for the purpose of calculating the transmission tariffs applied to the capacity for the year t ;
- $RT_t^{CAP,eff}$ is the revenue obtained by applying the charges CP_e and CP_u including any reductions made by the business and not provided for in this resolution, to the capacities actually allocated for the year t , including any penalties paid by the transmission business pursuant to paragraph 10.2 of Resolution 168/06 of 31 July 2006 and excluding the compensation mechanisms pursuant to the previous Article 24 and Article 25;
- ΔRT_t^{CONS} is the difference between the revenue component RT_t^{CAP} pursuant to paragraph 3.2, letter a), for the year t and the same component restated on the basis of the actual balance sheet data pursuant to the next paragraph 33.6.

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- 29.2 When calculating the actual revenue any additional revenue collected by the transmission company for the provision of additional services pursuant to the provisions of Network Code should also be taken into account.
- 29.3 For the purpose of calculating the actual revenue, with regard to the anticipated settlement sum for the multi-year transmission contracts, the amounts actually collected should be taken into consideration rather than the amounts invoiced, without prejudice to the obligation on the business to carry out all the actions aimed at reducing or limiting the risk of default by the user, with maximum diligence in mind.

Article 30

Corrective factor for the transmission service commodity revenue

- 30.1 If, with regard to the target volumes pursuant to paragraph 17.1, excess changes are actually recorded, more or less than a 4% allowance, for the most important business, the corrective factor for the commodity revenue of the transmission service $FC_t^{T,COM}$ pertaining to the year t for the regulatory period is calculated using the following formula:

$$FC_t^{T,COM} = RT_t^{COM} - RT_t^{COM,eff}$$

where:

- $FC_t^{T,COM}$, is the corrective factor for the transmission service commodity revenue, pertaining to the year t ;
- RT_t^{COM} is the revenue component pursuant to paragraph 3.2, letter b), for the year t ;
- $RT_t^{COM,eff}$ is the revenue achieved by applying the charge CV including any reductions made by the business and not set out in this resolution, excluding the compensation mechanisms pursuant to the previous Article 26, taking into account the allowance pursuant to paragraph 30.1.

Article 31

Regulation of the entitlements relating to the transmission revenue corrective factors

- 31.1 By 30 April of the year after the year in question and at the same time as the sending of the information pursuant to paragraph 35.2, the transmission businesses should notify the Cassa and the Direzione Infrastrutture Energia e Unbundling of the amount of the corrective factors $FC_t^{T,CAP}$ and $FC_t^{T,COM}$ and the information used for the calculation, using the form prepared by the Direzione Infrastrutture Energia e Unbundling.
- 31.2 By 30 June of each year, the Direzione Infrastrutture Energia e Unbundling of ARERA should notify the Cassa of the go-ahead to provide the entitlements relating to the revenue corrective factors.

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- 31.3 By 31 July of each year, the transmission businesses and the Cassa should regulate the entitlements relating to the corrective factors $FC^{T,CAP}$ and $FC^{T,COM}$ under the "Transmission expenses account".
- 31.4 If the resources of the "Transmission expenses account" are insufficient to settle what is due from each transmission business, then the Cassa shall make the pro rata payments with regard to the amounts owed by said businesses, up to the amount available in the above-mentioned account. If this settlement cannot be completed within 3 months of the planned deadline, the Cassa shall pay said businesses interest equal to the target rate set by the Central European Bank, with a minimum of 0.5%, calculated from 1 January of the second year after the one to which the compensation amounts refer.

Article 32

Corrective factor for metering revenue

- 32.1 For each transmission business, the corrective factor for the metering revenue FC^M pertaining to the year t of the regulatory period is calculated using the following formula:

$$FC_t^M = RM_t + FC_{t-2}^M - RM_t^{eff} + \Delta RM_t^{CONS}$$

where:

- FC_t^M , is the corrective factor for the metering service revenue pertaining to the year t ;
 - RM_t is the target revenue of the metering service for the year t ;
 - RM_t^{eff} is the revenue obtained by applying the charges CM^T and CM^{CF} including any reductions made by the business and not set out in this resolution to the capacities actually allocated for the year t , excluding the compensation mechanisms pursuant to the previous Article 27;
 - ΔRM_t^{CONS} is the difference between the revenue component RM_t pursuant to paragraph 12.1, for the year t and the same component restated on the basis of the actual balance sheet data pursuant to the next paragraph 33.6.
- 32.2 When calculating the actual revenue RM^{eff} any additional revenue collected by the transmission company for the provision of additional services pursuant to the provisions of Network Code should also be taken into account.

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Title VII - APPROVAL OF THE TARIFFS AND DISCLOSURE REQUIREMENTS

Article 33

Approval of the tariff proposals and calculation of the charges

- 33.1 By 31 March of each year, the transmission businesses submit the tariff proposals for the next year to ARERA, using the form prepared by the Direzione Infrastrutture Energia e Unbundling. The tariff proposals include:
- a) the target revenues RT and RM relating to the next year;
 - b) the specific business charges relating to the next year;
 - c) the planned quantities of gas to be injected into the transmission network for the next year;
 - d) the quantities of gas delivered to service users in the previous year;
 - e) the planned allocation capacities for the next year and the remaining years of the regulatory period;
 - f) the distances of the delivery points from the national network;
 - g) any proposals for the approval of payments for additional services;
 - h) the revenue RSC from the application of the overrun charges at the pipeline network entry and exit points in the year $t-2$, including the penalties paid in the same year, also taking into consideration the overrun revenue price adjustments pertaining to the previous years calculated following the settlement sessions pursuant to the TIS;
 - i) the target revenues RT and RM relating to the year that the tariff proposal was submitted, restated on the basis of the actual balance sheet data, together with the charge in revenue compared with the revenues RT and RM considered for the purpose of calculating the tariff charges, respectively, of ΔRT_t^{CONS} and ΔRM_t^{CONS} .
- 33.2 The information pursuant to the previous paragraph, letters e) and f), should also be reported by the transmission businesses to the most important business, by said deadline.
- 33.3 The distances of the delivery points from the national network pursuant to the previous paragraph, letter e), are calculated as follows:
- a) in the case of distribution facilities, as the arithmetic mean of the distances of the delivery points they supply;
 - b) in the case of the delivery points not included in letter a), as the actual distance of each delivery point from the national network.
- 33.4 By 30 April of each year, the main TSO should send ARERA a tariff model that makes it possible to calculate the transmission tariffs applicable for the next tariff period and to forecast the possible development after this period. This model includes the distances between the entry points and the exit points, as well as the planned allocation capacities in the next year and in the remaining years of the regulatory period, with reference to the entire scope of the transmission network, also on the basis of the data relating to other transmission businesses.

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- 33.5 The proposals pursuant to the previous paragraph 33.1 are understood to be approved if ARERA does not say otherwise within 60 days of their receipt. These deadlines are understood to be suspended if further examination is required.
- 33.6 By 31 May of each year, ARERA should evaluate the tariff proposals pursuant to the previous paragraph 33.1 and, based on the criteria pursuant to this provision, calculate the charges pursuant to Title IV and Title V relating to the next year. At the same time, ARERA should restate the target revenues RT and RM for the year in progress based on the actual balance sheet data, as well as the related changes in revenue ΔRT_t^{CONS} and ΔRM_t^{CONS} .
- 33.7 Within 30 days of the date that ARERA approves the charges, the Direzione Infrastrutture Energia e Unbundling notifies the Cassa and each transmission business of the specific business commodity charges approved pursuant to this article.

Article 34

Publication of the charges and significant information

- 34.1 By 31 May of each year, at the same time as the calculation of the charges pursuant to the previous paragraph 33.6, ARERA makes the following available on its website:
- a) the charges pursuant to Title IV and Title V;
 - b) the information pursuant to Article 29 of Regulation 460/2017;
 - c) the information pursuant to Article 30 of Regulation 460/2017 including the simplified tariff model pursuant to paragraph 33.4 supplemented on the basis of the data and information pursuant to the approved tariff proposals.
- 34.2 The information pursuant to the previous paragraph 34.1 is also made available by the main TSO on its website, by the thirtieth day prior to the yearly auction for the annual capacity. This information is made available in accordance with the methods and principles pursuant to Article 31 of Regulation 460/2017, namely they should be accessible to the public, free of charge and published:
- a) in a format that can be consulted easily;
 - b) in such a way that they are clear and easily accessible and on a non-discriminatory basis;
 - c) in a format that can be downloaded;
 - d) in English as well.
- 34.3 Within 15 days of the date that ARERA approves the tariffs, the transmission businesses should make the following available on their website:
- a) the charges pursuant to the previous Title IV and Title V;
 - b) the distance of each national network delivery point calculated pursuant to paragraph 33.2;
 - c) the average investment costs pursuant to the next paragraph 35.2, letter e).

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34.4 For the connection points, the most important public business, on the platform pursuant to Annex I, point 3.1.1., paragraph 1, letter h) of Regulation 715/2009, the information pursuant to Article 31, paragraph 2 of Regulation 460/2017, in accordance with the provisions of paragraph 3 of said article.

Article 35

Additional disclosure requirements pertaining to transmission businesses

35.1 By 31 March of each year, at the same time as the presentation of the tariff proposal pursuant to paragraph 33.1, the transmission businesses must notify ARERA, using the form prepared by the Direzione Infrastrutture Energia e Unbundling of:

- a) the investments and disposals made during the previous year, reported in the financial statements subject to auditing, broken down by asset category and type of investment identified in Article 5;
- b) the investments planned for the next 4 years in a table containing an illustration of the targets, costs and implementation times, broken down by the type of investment identified in Article 5;
- c) the disposals planned for the next 4 years, with an illustration of the reasons and a valuation of the assets disposed of;
- d) the documentation confirming the compensation and environmental costs incurred in the previous year for making each investment, together with the authorisation documents and provisions arising from national or local regulations or, if present, the agreements concluded with local authorities for carrying out the compensation works;
- e) the development of the average investment costs at aggregate level, broken down by type of investment and the year made.

35.2 By 30 April of each year the transmission businesses must send ARERA, using the form prepared by the Direzione Infrastrutture Energia e Unbundling, a declaration, signed by the legal representative and certified by a firm of independent auditors on the Register of Statutory Auditors established pursuant to Legislative Decree 39 of 27 January 2010 certifying the revenue earned in the previous year.

35.3 By the same deadline as in the previous paragraph 35.1, the transmission businesses should also send a monitoring report on the investments made in the previous year and in the process of being made, in line with the requirements pursuant to Article 3, paragraph 3 of Annex A of Resolution 468/2018/R/GAS of 27 September 2018.

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Title VIII – TARIFF COMPONENTS COVERING GAS SYSTEM EXPENSES OF A GENERAL NATURE

Article 36

Transmission tariff additional components to cover gas system expenses of a general nature

36.1 The following tariff components were established, in addition to the transmission tariff pursuant to Article 13, to cover gas system expenses of a general nature:

- a) the commodity charge CRV^{FG} , expressed in euro/Smc, to cover the expenses resulting from the application of the coverage factor for the LNG regasification service revenue;
- b) the tariff component GS_T , expressed in euro/Smc, to cover the expenses for offsetting the tariff concessions to gas sector customers suffering hardship;
- c) the tariff component RE_T , expressed in euro/Smc, to cover the expenses for measures and interventions for energy saving and the development of renewable sources in the natural gas sector as well as the expenses resulting from the provisions pursuant to Article 22 and Article 32 of Legislative Decree 28 of 3 March 2011;
- d) the negative tariff component S_D , expressed in euro/Smc, aimed at ensuring the economic invariance of the measures pursuant to Legislative Decree 130/10 for end users connected to the distribution network;
- e) the tariff component UG_{3T} , expressed in euro/Smc to cover the allowed arrears to temporary suppliers pursuant to Article 3 of ARERA's Resolution of 12 September 2012, 363/2012/R/GAS;
- f) the tariff component CRV^I , expressed in euro/Smc, to cover the expenses for controlling gas consumption pursuant to Resolution 277/07;
- g) the tariff component CRV^{OS} , expressed in euro/Smc, to cover the expenses resulting from the application of the corrective factor for the target revenues for the storage service aimed at ensuring the partial coverage of the allowed costs for this service also if it is valued below the permitted tariff revenue, as well as the adjustment of restoration costs;
- h) the tariff component CRV^{BL} , expressed in euro/Smc, to cover the expenses associated with the gas balancing system;
- i) the tariff component CRV^{ST} , expressed in euro/Smc, to cover the expenses associated with gas settlement.

36.2 The transmission business applies additional transmission tariff components pursuant to Article 13 on transmission service users:

- a) tariff components GS_T , RE_T , and UG_{3T} pursuant to the previous paragraph 36.1, letters b), c) and e), respectively, to the quantities of gas delivered to users of the transmission service at the delivery points which supply end users directly connected to regional networks;

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- b) the tariff components S_D and CRV^{ST} , pursuant to the previous paragraph 36.1, letters d) and i), respectively, to the quantities of gas delivered to users of the transmission service at the delivery points which supply the distribution networks;
- c) the tariff components CRV^{FG} , CRV^I , CRV^{OS} and CRV^{BL} , pursuant to the previous paragraph 36.1, letters a), f), g) and h), respectively, to the quantities of gas delivered to users of the transmission service at the delivery points which supply the distribution networks and those which supply end users connected to the regional networks.

Article 37

Allocation of the proceeds of the additional transmission tariff components

- 37.1 Within 90 days of the end of each two-month period, the transmission businesses should pay the Cassa, with regard to the transmission services provided in this two-month period:
- a) the proceeds resulting from the application of the commodity charge CRV^{FG} in the "Regasification facilities coverage factor expense account" pursuant to the RTRG;
 - b) the proceeds resulting from the application of the tariff component GS_T in the "Account for the compensation of tariff concessions to gas sector customers suffering hardship", pursuant to paragraph 70.1, letter d) of the RTDG;
 - c) the proceeds resulting from the application of the tariff component RE_T in the "Fund for measures and interventions for energy saving and the development of renewable sources in the natural gas sector", pursuant to paragraph 70.1, letter a), of the RTDG;
 - d) the proceeds resulting from the application of the tariff component UG_{3T} in the "Expense account for the transmission network temporary suppliers service" pursuant to Article 6 of ARERA Resolution of 12 September 2012, 363/2012/R/GAS;
 - e) the proceeds resulting from the application of the commodity charge CRV^I in the "Fund for the promotion of the gas system interruptibility service" pursuant to point 2 of ARERA's Resolution 297/05 of 29 December 2005;
 - f) the proceeds resulting from the application of the commodity charge CRV^{OS} in the "Storage costs account" pursuant to article 27, paragraph 6 of the RAST;
 - g) the proceeds resulting from the application of the commodity charge CRV^{BL} in the "Fund for covering the gas balancing system associated expenses" pursuant to point 12 of Resolution ARG/gas/155/11;
 - h) the proceeds resulting from the application of the commodity charge CRV^{ST} in the "Fund for covering the expenses associated with the gas settlement system" pursuant to the TIS.

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- 37.2 By the same deadline as in the previous paragraph 37.1, the transmission businesses should send the Cassa the information relating to the application of the additional transmission tariff components, with details of the relevant periods, commodity charges applied and quantities of gas delivered.
- 37.3 The Cassa allocates the amounts resulting from the application of the component RE_T partly to the Fund for measures and interventions for energy saving and the development of renewable sources in the natural gas sector pursuant to paragraph 70.1, letter a) of the RTDG, partly to the Guarantee fund for supporting district heating networks, pursuant to paragraph 70.1, letter e) of the RTDG, and partly to the Account for technological and industrial development pursuant to paragraph 48.1, letter r) of the TIT, depending on the rates published by ARERA in compliance with an accrual basis.
- 37.4 The main TSO sends the Cassa the quantities of gas measured, on a monthly basis, at the delivery points which supply end users connected to the regional networks, the delivery points which supply the distribution networks as well as the connection points with other transmission businesses in order to enable the Cassa to correctly monitor the payments pursuant to paragraph 37.1.

Article 38

Method for calculating and updating the additional transmission tariff components

- 38.1 The value of the additional tariff components pursuant to Article 36 is calculated using the specific provisions of ARERA and it can also be updated during the year, on a quarterly basis.
- 38.2 The value of the additional tariff components pursuant to Article 36 is usually updated at least two quarters before they come into force.

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Table 1 - Conventional tariff period of the asset categories

Asset category	Conventional duration (years)
Buildings	40
Pipelines (pipes and junctions)	50
Compression stations	20
Pressure regulation and reduction systems	20
Meters	20
End user meters	20
Information systems	5
Tangible fixed assets (office machinery, vehicles, mobile phones)	5
Other tangible fixed assets	10
Intangible assets	5
Land	-

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Table 2 – Deflator for the gross fixed investments

Year	Gross fixed investments deflator	Year	Gross fixed investments deflator
1959	34.2503	1990	1.9058
1960	32.8755	1991	1.8006
1961	31.7289	1992	1.7317
1962	30.4364	1993	1.6681
1963	28.1533	1994	1.6130
1964	26.9744	1995	1.5505
1965	26.8893	1996	1.5068
1966	26.1658	1997	1.4674
1967	25.3058	1998	1.4403
1968	24.7364	1999	1.4237
1969	23.3581	2000	1.3833
1970	20.5570	2001	1.3549
1971	19.5213	2002	1.3168
1972	18.8996	2003	1.2965
1973	15.7700	2004	1.2621
1974	12.1683	2005	1.2255
1975	10.3796	2006	1.1932
1976	8.6750	2007	1.1638
1977	7.3882	2008	1.1272
1978	6.5243	2009	1.0943
1979	5.6728	2010	1.0943
1980	4.5785	2011	1.0697
1981	3.7453	2012	1.0396
1982	3.2544	2013	1.0252
1983	2.9168	2014	1.0171
1984	2.6719	2015	1.0141
1985	2.4505	2016	1.0110
1986	2.3601	2017	1.0110
1987	2.2612	2018	1.0050
1988	2.1420	2019	1.0000
1989	2.0321		

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Table 3 – Transmission service downgrading percentages (1/2)

Year	Buildings	Pipelines (pipes and junctions)	Booster stations	Pressure regulation and reduction systems	Information systems	Other tangible fixed assets	Intangible assets
1959	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
1960	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
1961	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
1962	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
1963	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
1964	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
1965	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
1966	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
1967	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
1968	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
1969	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
1970	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
1971	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
1972	99.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
1973	97.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
1974	95.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
1975	93.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
1976	91.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
1977	89.00%	97.50%	100.00%	100.00%	100.00%	100.00%	100.00%
1978	87.00%	95.00%	100.00%	100.00%	100.00%	100.00%	100.00%
1979	85.00%	92.50%	100.00%	100.00%	100.00%	100.00%	100.00%
1980	83.00%	90.00%	100.00%	100.00%	100.00%	100.00%	100.00%
1981	81.00%	87.50%	100.00%	100.00%	100.00%	100.00%	100.00%
1982	79.00%	85.00%	100.00%	100.00%	100.00%	100.00%	100.00%
1983	77.00%	82.50%	100.00%	100.00%	100.00%	100.00%	100.00%
1984	75.00%	80.00%	100.00%	100.00%	100.00%	100.00%	100.00%
1985	73.00%	77.50%	100.00%	100.00%	100.00%	100.00%	100.00%
1986	71.00%	75.00%	100.00%	100.00%	100.00%	100.00%	100.00%
1987	69.00%	72.50%	100.00%	100.00%	100.00%	100.00%	100.00%
1988	67.00%	70.00%	100.00%	100.00%	100.00%	100.00%	100.00%

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Table 3 – Transmission service downgrading percentages (2/2)

Year	Buildings	Pipelines (pipes and junctions)	Compression stations	Pressure regulation and reduction systems	Information systems	Other intangible fixed assets	Intangible assets
1989	65.00%	67.50%	100.00%	97.50%	100.00%	100.00%	100.00%
1990	63.00%	65.00%	100.00%	95.00%	100.00%	100.00%	100.00%
1991	61.00%	62.50%	100.00%	92.50%	100.00%	100.00%	100.00%
1992	59.00%	60.00%	100.00%	90.00%	100.00%	100.00%	100.00%
1993	57.00%	57.50%	100.00%	87.50%	100.00%	100.00%	100.00%
1994	55.00%	55.00%	100.00%	85.00%	100.00%	100.00%	100.00%
1995	53.00%	52.50%	100.00%	82.50%	100.00%	100.00%	100.00%
1996	51.00%	50.00%	100.00%	80.00%	100.00%	100.00%	100.00%
1997	49.00%	47.50%	100.00%	77.50%	100.00%	100.00%	100.00%
1998	47.00%	45.00%	100.00%	75.00%	100.00%	100.00%	100.00%
1999	45.00%	42.50%	95.00%	72.50%	100.00%	100.00%	100.00%
2000	43.00%	40.00%	90.00%	70.00%	100.00%	100.00%	100.00%
2001	41.00%	37.50%	85.00%	67.50%	100.00%	100.00%	100.00%
2002	39.00%	35.00%	80.00%	65.00%	100.00%	100.00%	100.00%
2003	37.00%	32.50%	75.00%	62.50%	100.00%	100.00%	100.00%
2004	35.00%	30.00%	70.00%	60.00%	100.00%	100.00%	100.00%
2005	32.50%	27.50%	65.00%	57.50%	100.00%	100.00%	100.00%
2006	30.00%	25.00%	60.00%	55.00%	100.00%	100.00%	100.00%
2007	27.50%	22.50%	55.00%	52.50%	100.00%	100.00%	100.00%
2008	25.00%	20.00%	50.00%	50.00%	100.00%	100.00%	100.00%
2009	22.50%	18.00%	45.00%	45.00%	100.00%	90.00%	100.00%
2010	20.00%	16.00%	40.00%	40.00%	100.00%	80.00%	100.00%
2011	17.50%	14.00%	35.00%	35.00%	100.00%	70.00%	100.00%
2012	15.00%	12.00%	30.00%	30.00%	100.00%	60.00%	100.00%
2013	12.50%	10.00%	25.00%	25.00%	100.00%	50.00%	100.00%
2014	10.00%	8.00%	20.00%	20.00%	80.00%	40.00%	80.00%
2015	7.50%	6.00%	15.00%	15.00%	60.00%	30.00%	60.00%
2016	5.00%	4.00%	10.00%	10.00%	40.00%	20.00%	40.00%
2017	2.50%	2.00%	5.00%	5.00%	20.00%	10.00%	20.00%
2018	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
2019	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

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Table 4 – Metering service downgrading percentages (1/2)

Year	Buildings	Meters	End user meters	Information systems	Other tangible fixed assets	Intangible assets
1959	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
1960	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
1961	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
1962	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
1963	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
1964	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
1965	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
1966	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
1967	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
1968	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
1969	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
1970	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
1971	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
1972	99.00%	100.00%	100.00%	100.00%	100.00%	100.00%
1973	97.00%	100.00%	100.00%	100.00%	100.00%	100.00%
1974	95.00%	100.00%	100.00%	100.00%	100.00%	100.00%
1975	93.00%	100.00%	100.00%	100.00%	100.00%	100.00%
1976	91.00%	100.00%	100.00%	100.00%	100.00%	100.00%
1977	89.00%	100.00%	100.00%	100.00%	100.00%	100.00%
1978	87.00%	100.00%	100.00%	100.00%	100.00%	100.00%
1979	85.00%	100.00%	100.00%	100.00%	100.00%	100.00%
1980	83.00%	100.00%	100.00%	100.00%	100.00%	100.00%
1981	81.00%	100.00%	100.00%	100.00%	100.00%	100.00%
1982	79.00%	100.00%	100.00%	100.00%	100.00%	100.00%
1983	77.00%	100.00%	100.00%	100.00%	100.00%	100.00%
1984	75.00%	100.00%	100.00%	100.00%	100.00%	100.00%
1985	73.00%	100.00%	100.00%	100.00%	100.00%	100.00%
1986	71.00%	100.00%	100.00%	100.00%	100.00%	100.00%
1987	69.00%	100.00%	100.00%	100.00%	100.00%	100.00%
1988	67.00%	100.00%	100.00%	100.00%	100.00%	100.00%

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Table 4 – Metering service downgrading percentages (2/2)

Year	Buildings	Meters	End user meters	Information systems	Other tangible fixed assets	Intangible assets
1989	65.00%	100.00%	100.00%	100.00%	100.00%	100.00%
1990	63.00%	100.00%	100.00%	100.00%	100.00%	100.00%
1991	61.00%	100.00%	100.00%	100.00%	100.00%	100.00%
1992	59.00%	100.00%	100.00%	100.00%	100.00%	100.00%
1993	57.00%	100.00%	100.00%	100.00%	100.00%	100.00%
1994	55.00%	100.00%	100.00%	100.00%	100.00%	100.00%
1995	53.00%	100.00%	100.00%	100.00%	100.00%	100.00%
1996	51.00%	100.00%	100.00%	100.00%	100.00%	100.00%
1997	49.00%	100.00%	100.00%	100.00%	100.00%	100.00%
1998	47.00%	100.00%	100.00%	100.00%	100.00%	100.00%
1999	45.00%	95.00%	95.00%	100.00%	100.00%	100.00%
2000	43.00%	90.00%	90.00%	100.00%	100.00%	100.00%
2001	41.00%	85.00%	85.00%	100.00%	100.00%	100.00%
2002	39.00%	80.00%	80.00%	100.00%	100.00%	100.00%
2003	37.00%	75.00%	75.00%	100.00%	100.00%	100.00%
2004	35.00%	70.00%	70.00%	100.00%	100.00%	100.00%
2005	32.50%	65.00%	65.00%	100.00%	100.00%	100.00%
2006	30.00%	60.00%	60.00%	100.00%	100.00%	100.00%
2007	27.50%	55.00%	55.00%	100.00%	100.00%	100.00%
2008	25.00%	50.00%	50.00%	100.00%	100.00%	100.00%
2009	22.50%	45.00%	45.00%	100.00%	90.00%	100.00%
2010	20.00%	40.00%	40.00%	100.00%	80.00%	100.00%
2011	17.50%	35.00%	35.00%	100.00%	70.00%	100.00%
2012	15.00%	30.00%	30.00%	100.00%	60.00%	100.00%
2013	12.50%	25.00%	25.00%	100.00%	50.00%	100.00%
2014	10.00%	20.00%	20.00%	80.00%	40.00%	80.00%
2015	7.50%	15.00%	15.00%	60.00%	30.00%	60.00%
2016	5.00%	10.00%	10.00%	40.00%	20.00%	40.00%
2017	2.50%	5.00%	5.00%	20.00%	10.00%	20.00%
2018	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
2019	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

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Table 5 - Multiplication coefficients to apply to the reportioned capacity charges on a daily basis

Coefficient	Value
Annual	1
Half-yearly	1.1
Quarterly	1.2
Monthly	1.3
Daily	1.5
Intra-day	1.5

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Table 6 – Efficient emission factors

	Maximum pressure level actually reached during the operation of the network (P)			
	P\geq12 bar		P<12 bar	
	Emission factor F_E	Unit of measurement	Emission factor F_E	Unit of measurement
Fugitive emissions				
Pipeline	5.290	Smc/km/a	0.529	Smc/km/a
Hubs	16 890	Smc/source/a		
PIG Stations	10 200	Smc/source/a		
R&R station ¹	10 810	Smc/source/a		
Compression stations	4 018	Smc/MW/a	-	-
Regulation and metering stations (REMI) ^{1,2}	(*)	Smc/source/a	(*)	Smc/source/a
Air emissions				
Network (pneumatically-operated valves)	136	Smc/source/a	13.6	Smc/source/a
R&R stations	25 900	Smc/source/a		
Compression stations	2 102	Smc/MW/a	-	
System for measuring gas composition	1 571	Smc/source/a	157.1	Smc/source/a
Vented emissions				
Network, R&R and REMI	204.5	Smc/km/a	20.45	Smc/km/a
Stations	1 521	Smc/MW/a	-	

Note 1 - in the case of regulation and reduction systems (R&R) and regulation and metering systems (REMI) the pressure to consider is the system input pressure.

Note 2 – the value given refers to the part of the system within the network perimeter: in the case of delivery points, the part "upstream" of the meter, for entry points the part of the system "downstream" of the meter.

(*) The emission factor for Regulation and Metering Systems (REMI) allowed for tariff purposes, assumes the following values:

Smc/source/a	2020	2021	2022	2023
REMI P\geq12 bar	3 500	2 930	2 460	2 060
REMI P<12 bar	350	290	250	210

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Table 7 – Graphic representation of the pipeline network



* The entry point shown as “Melendugno” refers to the entry point in the national network from the Trans-Adriatic Pipeline (TAP), currently under construction.

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**TARIFF REGULATORY CRITERIA FOR THE NATURAL GAS
TRANSMISSION AND METERING SERVICE FOR THE FIFTH
REGULATORY PERIOD 2020-2023
(RTTG)**

***PUBLICATION OF THE DATA AND INFORMATION PURSUANT
TO ARTICLE 26, PARAGRAPH 1 OF THE TAR NETWORK CODE***

In case of discrepancies between the information published on the Italian version and the information published on the English version of this document, the Italian version shall prevail.

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1 Introduction

- 1.1 In this Annex B, in line with the transparency requirements of (EU) Regulation 460/2017 of the Commission of 16 March 2017 (hereinafter the TAR Network Code), further data and information pursuant to Article 26 of the TAR Network Code is available which, pursuant to Article 27, paragraph 4 of said TAR Network Code, should be made available under the scope of the final decision on the 5th tariff regulatory period criteria.
- 1.2 Note that as the estimates of the tariff revenues and levels reported in Annex B reflect specific assumptions about the forecasted reference revenues and capacities, they should be understood as being a guideline, in line with the specific provisions of Article 26, paragraph 1, letter a), point iii and letters b) and d), and, therefore, not binding in any way on the Authority and they cannot be relied on in the future by transmission users.

2 Information on the technical specifications of the transmission network

- 2.1 Below is information relating to:
 - a) the contractual capacity at the entry and exit points (Table 1);
 - b) the structural representation of the transmission network with an adequate degree of detail (Figure 1);
 - c) the distances table of the transmission entry and exit points, significant for the application of the reference price methodology.

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Table 1: Forecasted capacities for the period 2020-2023 (10³ Smc/g)

Entry points		2020	2021	2022	2023
CONNECTIONS	Mazara del Vallo Entry (*)	51.150	50.650	50.100	50.000
	Gela Entry	16.000	16.000	16.000	16.000
	Passo Gries (CH) Entry	12.000	8.500	8.500	8.500
	Tarvisio (AT) Entry (*)	88.700	82.000	82.000	82.000
	Gorizia (SI) Entry	0	0	0	0
	Melendugno TAP Entry	2.400	20.500	24.600	24.600
LNG	LNG Panigaglia	4.500	4.500	4.500	4.500
	LNG Cavarzere	21.300	21.300	21.300	21.300
	LNG OLT Livorno	15.000	15.000	15.000	15.000
PRODUCTION	Hub 1 - Ripalta	116	127	124	121
	Hub 2 - Ravenna	3.073	3.350	3.262	3.188
	Hub 3 - Rubicone	1.143	1.247	1.214	1.186
	Hub 4 - Falconara	4.216	4.597	4.476	4.375
	Hub 5 - Pineto	1.929	2.104	2.049	2.002
	Hub 6 - S.Salvo	81	88	86	84
	Hub 7 - Candela	179	195	190	185
	Hub 8 - Monte Alpi	3.144	3.428	3.338	3.263
	Hub 9 - Crotona	1.215	1.325	1.290	1.261
	Hub 10 - Gagliano	227	247	241	235
STORAGE	San Salvo Entry	22.918	22.918	22.918	22.918
	Sabbioncello Entry	8.594	8.594	8.594	8.594
	Minerbio Entry	22.440	22.440	22.440	22.440
	Sergnano Entry	21.645	21.645	21.645	21.645
	Settala Entry	15.756	15.756	15.756	15.756
	Brugherio Entry	3.820	3.820	3.820	3.820
	Ripalta Entry	10.981	10.981	10.981	10.981
	Corte Entry	5.252	5.252	5.252	5.252
	Collalto Entry	4.478	4.478	4.478	4.478
	Cellino Entry	827	827	827	827
	Castel Bolognese Entry	2.920	2.920	2.920	2.920
	Bordolano Entry	8.594	8.594	8.594	8.594
	Cornegliano Entry	13.500	13.500	13.500	13.500

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Exit points		2020	2021	2022	2023
REDELIVERY AREAS	NOC North West (<15 km)	15.872	15.803	15.733	15.681
	NOC North West (>15 km)	46.130	45.928	45.726	45.574
	NOR North East (<15 km)	135.826	135.230	134.634	134.187
	NOR North East (>15 km)	102.238	101.789	101.340	101.004
	CEN Central (<15 km)	19.884	19.796	19.709	19.644
	CEN Central (>15 km)	26.275	26.160	26.044	25.958
	SOR Central-South East (<15 km)	28.688	28.562	28.436	28.342
	SOR Central-South East (>15 km)	13.634	13.574	13.514	13.469
	SOC Central-South West (<15 km)	4.767	4.746	4.725	4.709
	SOC Central-South West (>15 km)	40.050	39.875	39.699	39.567
	MER Southern (<15 km)	17.852	17.774	17.696	17.637
	MER Southern (>15 km)	16.291	16.220	16.149	16.096
	STORAGE	San Salvo Exit	18.579	18.579	18.579
Sabbioncello Exit		6.593	6.593	6.593	6.593
Minerbio Exit		13.186	13.186	13.186	13.186
Serngano Exit		13.186	13.186	13.186	13.186
Settala Exit		6.593	6.593	6.593	6.593
Brugherio Exit		3.956	3.956	3.956	3.956
Ripalta Exit		12.527	12.527	12.527	12.527
Corte Exit		9.890	9.890	9.890	9.890
Collalto Exit		3.661	3.661	3.661	3.661
Cellino Exit		676	676	676	676
Castel Bolognese Exit		2.388	2.388	2.388	2.388
Bordolano Exit		9.890	9.890	9.890	9.890
Cornegliano Exit		17.820	17.820	17.820	17.820
CONNECTIONS		Bizzarone (CH) Exit	800	800	800
	Gorizia (SI) Exit	0	0	0	0
	R. S. Marino Exit	400	400	400	400
	Passo Gries (CH) Exit	2.767	2.800	5.500	13.800
	Tarvisio (AT) Exit	0	0	0	0

Source: Snam Rete Gas S.p.A.

(*) The forecasted capacity at the Mazara del Vallo and Passo Gries entry points also includes the capacities subject to remodulation over a period of time for the transmission rights (reshuffling) pursuant to the resolution of 28 September 2017, 666/2017/R/GAS, equal to 24.15 MSmc/g and 2.7 MSmc/g, respectively.

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Figure 1: Representation of the pipeline network¹



Source: Snam Rete Gas S.p.A.

* The entry point shown as "Melendugno" refers to the entry point in the national network from the Trans-Adriatic Pipeline (TAP), currently under construction.

¹ For further details about the network, refer to the following pages on the Snam Rete Gas website:

http://www.snam.it/it/trasporto/Processi_Online/ReteSnamReteGas/informazioni/rete-srg/index_rete.html

http://www.snam.it/it/trasporto/Processi_Online/ReteSnamReteGas/informazioni/rete-nazionale-gasdotti/1_rete-naz-gasd.html.

In case of discrepancies between the information published on the Italian version and the information published on the English version of this document, the Italian version shall prevail.

Table 2: Table of distances between the network entry and exit points

Name	Type		Exit points																													
			NOC<15 Nord Occidentale	NOC>15 Nord Occidentale	NOR<15 Nord Orientale	NOR>15 Nord Orientale	CEN<15 Centrale	CEN>15 Centrale	SOR<15 Centro-sud Orientale	SOR>15 Centro-sud Orientale	SOC<15 Centro-sud Occidentale	SOC>15 Centro-sud Occidentale	MER<15 Meridionale	MER>15 Meridionale	San Salvo Exit	Sabbioncello Exit	Minerbio Exit	Sergnano Exit	Sellata Exit	Brugherio Exit	Ripalta Exit	Corte Exit	Collalb Exit	Cellino Exit	Castel Bolognese Exit	Bordolano Exit	Cornegliano L. Exit	Bizzarone (CH) Exit	Gorizia (SI) Exit	R. S. Marino Exit	Passo Gries (CH) Exit	Tarvisio (AT) Exit
			Area prelievo NOC<15 Nord Occidentale	Area prelievo NOC>15 Nord Occidentale	Area prelievo NOR<15 Nord Orientale	Area prelievo NOR>15 Nord Orientale	Area prelievo CEN<15 Centrale	Area prelievo CEN>15 Centrale	Area prelievo SOR<15 Centro-sud Orientale	Area prelievo SOR>15 Centro-sud Orientale	Area prelievo SOC<15 Centro-sud Occidentale	Area prelievo SOC>15 Centro-sud Occidentale	Area prelievo MER<15 Meridionale	Area prelievo MER>15 Meridionale	Stoccaggio Hub Exit	Stoccaggio Hub Exit	Stoccaggio Hub Exit	Stoccaggio Hub Exit	Stoccaggio Hub Exit	Stoccaggio Hub Exit	Stoccaggio Hub Exit	Stoccaggio Hub Exit	Stoccaggio Hub Exit	Stoccaggio Hub Exit	Stoccaggio Hub Exit	Stoccaggio Hub Exit	Stoccaggio Hub Exit	Stoccaggio Hub Exit	Stoccaggio Hub Exit	Stoccaggio Hub Exit	Stoccaggio Hub Exit	Stoccaggio Hub Exit
Mazara del Vallo Entry	IP	Mazara del Vallo Entry	1.787	1.833	1.637	1.659	1.364	1.394	952	983	996	1.040	332	411	1.027	1.518	1.466	1.686	1.703	1.732	1.670	1.625	1.173	1.421	1.635	1.692	1.860	1.764	1.399	1.923	1.798	
Gela Entry	IP	Gela Entry	1.665	1.711	1.515	1.537	1.242	1.272	830	861	874	918	247	325	906	1.396	1.344	1.564	1.581	1.610	1.548	1.503	1.534	1.051	1.299	1.513	1.570	1.738	1.642	1.277	1.801	1.676
Passo Gries (CH) Entry	IP	Passo Gries (CH) Entry	215	260	369	391	714	744	1.109	1.139	941	984	1.621	1.700	948	469	457	253	242	272	253	296	524	828	502	303	231	159	633	582	-	667
Tarvisio (AT) Entry	IP	Tarvisio (AT) Entry	559	605	369	391	593	623	937	968	826	870	1.497	1.575	771	364	351	414	448	477	433	470	174	652	396	466	436	604	166	405	667	-
Gorizia (SI) Entry	IP	Gorizia (SI) Entry	525	570	335	357	559	589	903	934	792	835	1.463	1.541	737	330	317	380	413	442	399	436	140	617	362	431	402	570	-	371	633	166
Melendugno TAP Entry	IP	Melendugno TAP Entry	1.383	1.428	1.168	1.191	715	745	310	341	539	583	667	746	420	1.023	971	1.208	1.261	1.290	1.227	1.272	1.179	732	945	1.259	1.250	1.417	1.288	792	1.481	1.322
GNL Pangaggia	Gnl	GNL Pangaggia	298	344	290	313	482	512	880	911	712	755	1.393	1.471	719	280	228	205	220	249	186	141	436	600	273	255	208	376	545	353	439	579
GNL Cavarzere	Gnl	GNL Cavarzere	407	452	265	288	348	377	735	766	567	611	1.248	1.327	575	136	84	304	321	350	287	243	292	455	129	253	310	477	401	209	541	435
GNL OLT Livorno	Gnl	GNL OLT Livorno	677	722	509	531	207	236	759	789	506	549	1.183	1.261	625	384	332	552	569	598	535	491	540	544	287	501	558	725	649	298	789	683
Hub 1 - Ripalta	Produzione	Produzione Hub 1 - Ripalta	145	190	155	178	461	491	900	931	687	731	1.368	1.446	695	216	203	19	34	63	-	45	290	575	248	70	22	190	399	329	253	433
Hub 2 - Ravenna	Produzione	Produzione Hub 2 - Ravenna	435	481	240	263	248	278	583	614	480	523	1.142	1.220	416	127	75	295	328	357	314	234	212	297	120	244	317	484	321	50	548	355
Hub 3 - Rubicone	Produzione	Produzione Hub 3 - Rubicone	469	514	273	296	217	247	551	582	448	491	1.110	1.189	384	161	109	329	362	391	348	268	246	265	154	278	350	518	354	18	581	389
Hub 4 - Falconara	Produzione	Produzione Hub 4 - Falconara	550	595	384	407	249	279	453	483	364	407	1.010	1.089	284	273	220	440	474	503	459	379	357	165	265	390	462	630	466	101	693	500
Hub 5 - Pineto	Produzione	Produzione Hub 5 - Pineto	688	733	523	545	363	393	306	337	338	382	859	937	132	411	369	579	612	641	597	518	496	13	404	528	600	768	604	239	831	639
Hub 6 - S. Salvo	Produzione	Produzione Hub 6 - S. Salvo	821	866	656	678	493	523	204	235	253	297	727	805	1	544	492	712	745	774	730	650	629	146	536	661	733	901	737	372	964	771
Hub 7 - Candela	Produzione	Produzione Hub 7 - Candela	942	988	777	799	612	641	165	196	281	325	613	691	122	665	613	833	866	895	852	772	750	267	658	782	855	1.022	859	493	1.086	893
Hub 8 - Monte Alpi	Produzione	Produzione Hub 8 - Monte Alpi	1.194	1.240	1.029	1.051	850	879	286	319	357	400	402	480	374	917	865	1.085	1.118	1.147	1.104	1.024	1.002	519	910	1.034	1.107	1.274	1.110	745	1.337	1.145
Hub 9 - Crotone	Produzione	Produzione Hub 9 - Crotone	1.324	1.370	1.174	1.196	901	931	489	520	533	577	281	359	565	1.056	1.003	1.223	1.241	1.270	1.207	1.162	1.193	710	958	1.172	1.229	1.397	1.301	936	1.460	1.336
Hub 10 - Gagliano	Produzione	Produzione Hub 10 - Gagliano	1.574	1.619	1.423	1.446	1.151	1.181	739	770	783	826	177	256	814	1.305	1.253	1.473	1.490	1.519	1.456	1.412	1.442	960	1.208	1.422	1.479	1.646	1.551	1.186	1.710	1.585
San Salvo Entry	Stoccaggio	Stoccaggio Hub Entry	821	866	656	678	493	523	204	235	253	297	727	805	1	544	492	712	745	774	730	650	629	146	536	661	733	901	737	372	964	771
Sabbioncello Entry	Stoccaggio	Stoccaggio Hub Entry	335	380	198	220	315	345	704	735	536	580	1.217	1.295	543	-	52	232	250	279	216	171	221	424	97	182	238	406	330	178	469	364
Minerbio Entry	Stoccaggio	Stoccaggio Hub Entry	322	367	182	204	263	293	652	683	484	528	1.165	1.243	492	53	0	220	238	267	204	159	209	372	45	170	226	394	317	126	457	352
Sergnano Entry	Stoccaggio	Stoccaggio Hub Entry	148	193	154	176	479	508	873	903	705	748	1.386	1.464	712	234	221	1	34	63	20	65	272	593	266	52	23	191	381	346	254	415
Sellata Entry	Stoccaggio	Stoccaggio Hub Entry	137	183	170	192	498	528	892	923	724	768	1.405	1.483	731	250	240	33	-	29	34	78	305	612	285	84	11	179	413	366	242	448
Brugherio Entry	Stoccaggio	Stoccaggio Hub Entry	167	212	198	221	528	557	922	953	754	798	1.435	1.513	761	280	270	63	30	1	64	108	334	642	315	114	41	209	443	396	272	477
Ripalta Entry	Stoccaggio	Stoccaggio Hub Entry	145	190	155	178	461	491	900	931	687	731	1.368	1.446	695	216	203	19	34	63	-	45	290	575	248	70	22	190	399	329	253	433
Corte Entry	Stoccaggio	Stoccaggio Hub Entry	169	214	174	197	421	451	815	846	647	691	1.328	1.406	654	176	163	68	83	112	49	4	332	535	208	118	71	239	440	288	302	474
Collalb Entry	Stoccaggio	Stoccaggio Hub Entry	423	469	241	263	458	487	801	832	690	734	1.361	1.440	635	228	216	279	312	341	298	335	7	516	260	329	301	468	147	270	531	181
Cellino Entry	Stoccaggio	Stoccaggio Hub Entry	701	746	548	570	375	405	319	350	357	400	872	950	145	424	372	592	625	654	610	531	580	-	417	541	613	781	689	252	844	723
Castel Bolognese Entry	Stoccaggio	Stoccaggio Hub Entry	405	451	229	252	243	272	663	713	441	485	1.120	1.198	536	98	45	265	298	327	284	204	253	417	0	214	287	455	362	171	518	396
Bordolano Entry	Stoccaggio	Stoccaggio Hub Entry	199	245	184	206	431	461	823	854	655	699	1.336	1.414	662	184	171	53	86	115	72	116	324	543	216	2	75	242	433	297	306	467
Cornegliano L. Entry	Stoccaggio	Stoccaggio Hub Entry	135	181	172	194	509	539	903	934	735	779	1.416	1.494	743	264	252	32	21	50	32	77	303	623	296	82	10	177	412	377	241	446

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3 Indicative information on revenues

3.1 Table 3 shows information relating to:

- the forecasted revenues of the transmission system operator;
- the revenues relating to the transmission services, with details of the revenues to be recovered through tariffs applied to the capacities and the revenues to be recovered through tariffs applied to the volumes;
- below is a breakdown of the revenues for the transmission services:
 - the breakdown of the capacities of the transmission volumes, or the breakdown of the revenues relating to the transmission services resulting from the tariffs applied to the capacity and the revenues related to the transmission services resulting from the tariffs applied to the transmission volumes;
 - the entry-exit breakdown, or the breakdown of the revenues resulting from the transmission tariffs associated with the capacities at all entry points and the revenues resulting from the transmission tariffs applied to the capacity at all exit points;
 - the intra-system/inter-system breakdown, or the breakdown of revenues from the use of the intra-system network at both the entry and the exit points and the revenues from the use of the inter-system network at both the entry and the exit points, which is calculated as indicated in Article 5 of the TAR Network Code.

3.2 Table 3 also contains the indicative revenues for the transmission metering service, classified as non-transmission service.

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Table 3: Information pursuant to Article 26, paragraph 1, letter b) of the TAR Network Code

<i>(Values in € millions)</i>	2020
TSOs Forecasted Revenues	2.150
Revenues relating to transport services	2.108
to be recovered through tariffs applied to the capacity	1.809
<i>at the entry points</i>	507
<i>at the exit points</i>	1.303
to be recovered through tariffs applied to the volumes	299
Split of capacities-volumes transported	86 / 14
Entry-exit Split	28 / 72
Intra-system/inter-system Split	99.8 / 0.2
Revenues relating to non-transmission services (metering)	43

The forecasted revenues for 2020 was made taking into consideration: the value of the allowed rate of return on the weighted average cost of capital (WACC) recognised as 5.7%; the value of the gross fixed capital formation deflator significant for updating the value of assets for 2020 equal to 0.5%; the valuation of the allowed quantities to hedge losses, own-gas and accounted for gas equal to 6 €/GJ. The forecast also takes into account new investments which, based on the information provided by the operators, contribute to the value of the allowed invested capital, as well as the assets whose useful life is running out.

The reference revenues to be recovered through the tariffs applied to the capacities were calculated excluding the deviation revenues for 2018.

The indicative reference revenues to be recovered through the tariffs applied to the volumes were calculated by updating the allowed operating cost in 2019 through the price-cap method rather than by applying the criteria pursuant to Article 7 of the RTTG, as not all the information is available.

4 Indicative information on charges

Capacity-based charges

4.1 Table 4 shows information relating to:

- a) charges approved for 2019;
- b) indicative charges 2020 calculated according to the method in Article 8 of the TAR Network Code
- c) indicative charges for 2020.

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Table 4: Comparison of reference price methodologies

		Charges approved for 2019	Indicative charges for 2020 calculated according to the method in Article 8 of the TAR Network Code	Indicative charges for 2020	Δ 2019	Δ Article 8 TAR Network Code	
		[euro/year/Smc/day]					
Entry	Mazara del Vallo Entry	€ 3,797131	€ 6,1	€ 3,4	-10%	-44%	
	Gela Entry	€ 3,454935	€ 5,6	€ 3,1	-9%	-44%	
	Passo Gries (CH) Entry	€ 0,690045	€ 2,4	€ 1,4	96%	-44%	
	Tarvisio (AT) Entry	€ 1,146643	€ 2,5	€ 1,4	20%	-44%	
	Gorizia (SI) Entry	€ 0,798560	€ 2,3	€ 1,3	63%	-44%	
	Melendugno TAP Entry	-	€ 4,3	€ 2,4	-	-44%	
	LNG Panigaglia	€ 0,285901	€ 1,9	€ 1,1	282%	-44%	
	LNG Cavarzere	€ 0,578877	€ 1,8	€ 1,0	73%	-44%	
	LNG OLT Livorno	€ 0,349267	€ 2,4	€ 1,4	290%	-44%	
	Production Hub 1 - Ripalta	€ 0,092522	€ 1,6	€ 0,9	844%	-44%	
	Production Hub 2 - Ravenna	€ 0,131684	€ 1,6	€ 0,9	580%	-44%	
	Production Hub 3 - Rubicone	€ 0,092522	€ 1,7	€ 0,9	901%	-44%	
	Production Hub 4 - Falconara	€ 0,233335	€ 1,9	€ 1,1	350%	-44%	
	Production Hub 5 - Pineto	€ 0,252999	€ 2,2	€ 1,2	388%	-44%	
	Production Hub 6 - S. Salvo	€ 0,344684	€ 2,5	€ 1,4	310%	-44%	
	Production Hub 7 - Candela	€ 0,670955	€ 2,9	€ 1,6	142%	-44%	
	Production Hub 8 - Monte Alpi	€ 1,328570	€ 3,7	€ 2,1	58%	-44%	
	Production Hub 9 - Crotone	€ 1,709427	€ 4,3	€ 2,4	40%	-44%	
	Production Hub 10 - Gagliano	€ 3,196717	€ 5,2	€ 2,9	-8%	-44%	
	Storage Hub Entry	€ 0,189256	€ 0,9	€ 0,5	155%	-44%	
Exit	National exit (PDR - delivery point)	NOC North West (*)	€ 2,831105	PDR <15 km 1.7	PDR <15 km 2.4	-15% / -9%	44%
		NOR North West (*)	€ 2,407965			0% / 7%	44%
		CEN Central (*)	€ 2,780830	PDR >15 km 1.8	PDR >15 km 2.6	-13% / -7%	44%
		SOR Central-South East (*)	€ 2,645612			-9% / -3%	44%
		SOC Central-South West (*)	€ 2,463092			-2% / 4%	44%
		MER Southern (*)	€ 2,334659			3% / 10%	44%
	Storage Hub Exit	€ 0,619650	€ 0,7	€ 1,1	71%	44%	
	Bizzarone (CH) Exit	€ 3,598777	€ 1,9	€ 2,7	-26%	44%	
	Gorizia (SI) Exit	€ 1,891253	€ 1,6	€ 2,3	23%	44%	
	R. S. Marino Exit	€ 3,645859	€ 1,3	€ 1,9	-47%	44%	
	Passo Gries (CH) Exit	€ 2,107685	€ 2,1	€ 3,0	42%	44%	
	Tarvisio (AT) Exit	€ 0,845674	€ 2,1	€ 3,0	255%	44%	

() In order to guarantee the comparability with the methodology for the 2020-2023 RTTG, the exit charges for 2019 relating to the delivery areas were recalculated taking into consideration both the regional network revenues and the national network revenues, using the delivery capacities as the driver, without taking into consideration the effects of the reduction for the localised delivery points within 15 kilometres of the RNG.*

The indicative charges for 2020 were recalculated on the basis of the forecasted revenues for 2020 and the forecasted capacities at the time of the publication of this document as the driver. The most up to date forecasted capacity values will be used during the approval of the 2020 tariffs.

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- 4.2 As far as the difference in the level of transmission tariffs between approved costs for 2019 and indicative costs for 2020 according to the CWD methodology pursuant to the 2020-2023 RTTG is concerned, note that:
- a) this difference is due, to a large extent, to the adoption of a different reference price methodology, namely the “matrix” methodology for 2019, and the CWD methodology for 2020; specifically, unlike the matrix methodology currently used, the CWD methodology attributes the same weighting, for equal mileage, to all the routes between the entry points and the exit points because it does not take into consideration (i) the different investment unit cost associated with the sections of gas pipeline in a certain route; (ii) the allocation of a reduced cost ratio for sections of gas pipeline which, in the simulation of the flows at peak consumption, are going against the flow; the consequence is a change in the allocation of costs between the entry points resulting in a tendency of the charges to converge with the average value;
 - b) for the exit points, part of the variation is due to the greater capacities provided for in the allocation compared with 2019 (+2.6%);
 - c) part of the variation, which proportionally affects all the charges, is due to the difference between the capacity revenues forecasted for 2020 compared with those taken into consideration for the purpose of calculating the capacity for 2019, equal to approximately +5.9%².
- 4.3 As far as the comparison between the indicative charges for 2020 is concerned, according to the CWD methodology pursuant to the 2020-2023 RTTG and those calculated on the basis of the methodology pursuant to Article 8 of the TAR Network Code are concerned, note that the difference (-44% on the entry charges, +44% of the exit charges) is due exclusively to the different entry/exit breakdown, equal to 28/72 in the CWD methodology pursuant to the 2020-2023 RTTG (instead of 50/50).

Variable charges and non-transmission tariffs

- 4.4 Table 5 below contains the indicative values of:
- transmission tariffs applied to transmission volumes;
 - tariffs for the transmission metering service.

² The revenues considered for the purpose of calculating the capacity charges for 2019 do not take into consideration the updating, provided for in the resolution of 6 December 2018, 639/2018/R/COM, of the invested capital remuneration rate; this updating only had an effect for the purpose of calculating the allowed revenues for 2019.

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Table 5: Other charges

	Indicative value for 2020	
Charge to cover variable costs CV (€/Smc)	€	0,0036
Complementary charge CV_{FC} (€/Smc)	€	-
Metering charge CM^T (€/a/Smc/g)	€	0,0907
Charge for metering service at end users CM^{CF} (€/a/Smc/g)	€	0,6213

The charges were calculated on the basis of the forecasted revenues for 2020. The charge to cover variable costs was calculated using the volumes for 2017 as the driver; the data for 2018 will be used during the approval of the tariffs for 2020. The metering charge was calculated on the basis of the forecasted capacities at the time of the publication of this document. The most up to date forecasted capacity values will be used during the approval of the 2020 tariffs.

5 Breakdown of costs

5.1 The next Table 6 contains the results, components and details of the breakdown of the costs pursuant to Article 5 of the TAR Network Code, based on the indicative values for the 2020 charges.

Table 6: Evaluation of the cost breakdown pursuant to Article 5.1 of the TAR Network Code

$Revenue^{intra}_{cap}$	€	1.792.732.433	$Revenue^{intra}_{comm}$	€	305.888.721
$Revenue^{cross}_{cap}$	€	16.630.347	$Revenue^{cross}_{comm}$	€	637.577
$Driver^{intra}_{cap}$		589.392.416	$Driver^{intra}_{comm}$		167.829
$Driver^{cross}_{cap}$		5.390.393	$Driver^{cross}_{comm}$		354
$Ratio^{intra}_{cap}$		0,304%	$Ratio^{intra}_{comm}$		182262,66%
$Ratio^{cross}_{cap}$		0,309%	$Ratio^{cross}_{comm}$		179887,15%
Comp_{cap}		1,42%	Comp_{comm}		1,31%