





## ANNEXES - “Organisation, reference context and business” section

### Italy’s regulatory framework

#### Regulatory framework

Below is a brief description of the main recent regulatory measures of interest for the Parent Company issued during 2014 and, subsequently, up to the date of preparation of the present Annual Financial Report.

#### *Measures issued in 2013 with effect from 2014*

Italian Law No. 147 of 27 December 2013 containing “Provisions for drafting the annual and multi-year accounts of the State”, published in the Italian Official Journal of 27 December 2013, No. 87.

The law acts on the matter of taxation of capital real estate, providing for the deductibility of 20% of IMU for the purposes of IRES (at 30% for the taxation period in progress at 31 December 2013 only).

Taxation on property was then widely reviewed with the introduction of a local property tax, replacing TARES and consisting of two components, one to cover the operating costs of the urban refuse service (TARI) and one to fund the related, indivisible services (TASI).

Parliament made changes to stamp duty, increasing that on periodic statements to customers related to financial products (securities accounts) from 1.5 to 2 thousandths of the market value of the securities, starting from 2014.

Starting from the taxation period in progress at 31 December 2014, firms increasing the number of permanent employees compared to the average number of permanent employees in the previous year may deduct a part of labour costs for three years (the year of hiring and the following two years). The deductible sum may not exceed € 15,000 for each new employee hired. Again on the matter of employment, in the case of moving from a fixed-term contract to a permanent contract, starting from 2014 the additional contribution of 1.4 % paid during the fixed-term contract is returned in full to the employer and no longer just for the last six months. The parameters for calculating detractions for employed work for income groups up to € 55,000 were also redetermined. A reduction in premium sand contributions is envisaged for insurance against workplace injuries and occupational disease (reduction then established in the amount of 14.17% for 2014 by the Decree of the Ministry for Labour and Social Policies of 22 April 2014, implementing the provision contained in the Stability Law).

Italian Decree of 19 December 2013 on the “Methods and criteria for the importation of electricity for 2014”, published in the Italian Official Journal of 21 January 2014, No. 16.

The Decree sets out the methods and criteria for importing electricity for 2014 on the national transmission grid.

Italian Law Decree No. 150 of 30 December 2013 on “Extension of the terms envisaged by legislative measures” published in the Italian Official Journal of 30 December 2013, No. 304, converted with Italian Law No. 15 of 27 February 2014, published in the Italian Official Journal of 28 February 2014, No. 49.

The decree postpones from 1 January 2013 to 1 July 2014 the application deadline for exclusively electronic acquisition of tender documentation.

#### Measures issued in 2014

##### *On tax and social security contributions*

Law Decree No. 4 of 28 January 2014, “Urgent measures for tax and social security contributions and referral of terms related to fulfilment of tax and social security contributions”, published in the Italian Official Journal of 29 January 2014 No. 23, converted by Law of 28 March 2014 No. 50, published in the Official Journal of 29 March 2014, No. 74.

The decree provides for the postponement of the INAIL payments deadline to 16 May 2014.

Law of 11 March 2014 No. 23, “Subordinated government delegation for the provision of rules for a fairer, more transparent and growth-oriented tax system”, published in the Official Journal of 12 March 2014, No. 59.

The law carries a subordinated delegation to the Government for the issue, by 27 March 2015 of legislative decrees reforming the tax system.

In the context of tax reform, there are plans for the introduction of new forms of energy and environmental taxation, intended “to steer the market towards sustainable patterns of consumption and production”, as well as a review of the rules of excise duties on energy products and electricity, “also in relation to carbon content and nitrogen oxide and sulphur emissions”.

The additional revenue will be used “primarily for reductions in income tax, particularly for work generated by the green economy, for the diffusion of technologies and products with low carbon content and the financing of sustainable production and consumption models, as well as a revision of the funding of subsidies for energy production from renewable sources”. The implementing decrees will carry provisions for the revision of the land registry, the restructuring of indirect taxation, the revision of the method of calculation of income and production for tax purposes in respect of VAT, substitute tax and the taxation of employee severance allowances.

[Italian Law No. 190 of 23 December 2014 containing “Provisions for drafting the annual and multi-year accounts of the State \(2015 Stability Law\)”](#), published in the Italian Official Journal of 29 December 2014, No. 99.

The Stability Law provides for inclusion of the High and Extra High Voltage electricity grids and of the related portions of stations owned by Ferrovie dello Stato Italiane S.p.A. or its subsidiaries in the National Electricity Transmission Grid; the inclusion is conditional on completion of the acquisition of the above assets by Terna or one of its subsidiaries.

Upon completion of the acquisition, the concessions, authorisations and all other administrative provision concerning these assets shall be understood to have been validly and effectively issued in favour of the purchaser.

The Stability Law provides for an increase in the rates to be applied for revaluation of severance pay and the net results of the pension funds. It also foresees, for the 2015 tax period, deductibility of permanent employment costs for the purposes of IRAP and contribution relief for new hires. The maximum limit for the TASI rate is confirmed at 2.5 per thousand again in 2015.

The law also provides for the possibility for workers to request, for the pay periods from 1 March 2015 to 30 June 2018, the payment of the portion maturing of termination benefits in the pay packet and it is established that the “income tax bonus” of € 80 euro a month for incomes up to € 24 thousand a year and, in a lower amount, for employees with incomes from € 24 to € 26 thousand a year.

A subsidised tax regime is introduced for income deriving from the use of intellectual property, industrial patents and other corporate intangible assets. The assistance consists in a 50% exclusion of taxation on this income and is granted through prior agreement with the Tax Authority.

In addition, the 2015 Stability Law extends the reverse charge rules to transfers of electricity to a taxpayer-reseller for a period of 4 years, as of 1 January 2015.

### **On contracts and employment**

[Law Decree No. 34 of 20 March 2014, “Urgent measures to favour the recovery of employment and to simplify the requirements for businesses,”](#) published in the Italian Official Journal of 20 March 2014 No. 66, converted by [Conversion Law No. 78 of 16 May 2014, published in the Official Journal of 19 May 2014, No. 114.](#)

The decree provides for the establishment of a new real time electronic system of verification of regular contributions by businesses, also for the purposes of the Contracts Code. The outcome of the requests will be valid for 120 days, except when they are identified by the Decree of the Minister of Labour for the implementation of the provision. There will also be legislative changes in the law relating to employment, with particular reference to apprenticeship contracts and temporary contracts. In the case of the latter, the number of temporary contract jobs will be capped at 20% of the total workforce, there will no longer be a requirement to indicate in the contract the technical and organisational reasons justifying the determination of a term, and provision will be made for the possible extension of the contract term to 36 months.

[Italian Law Decree No. 66 of 24 April 2014, “Urgent measures for competition and social justice. Delegations to the Government for the completion of the review of the structure of the budget of the State, the reordering of the regulations for the management of the budget and the strengthening of the cash budget, as well as the adoption of a consolidated law regarding State and treasury accounting,”](#) converted by [Conversion Law no. 89 of 23 June 2014, published in the Official Journal no. 143 of 23 June 2014.](#)

The Decree envisages the payment of a credit in favour of employees, for 2014, in the annual amount of € 640, in the case of total annual income up to € 24,000, or for the part corresponding to the ratio between the amount of € 26,000, decreased by the total income, and the amount of € 2,000, for incomes between € 24,000 and € 26,000. This credit is paid in monthly instalments and withholding agent can recover the sums disbursed through set-off.

As of 1 July 2014, withholdings and substitute taxes on capital gains deriving from the transfer of financial instruments and income deriving from financial assets other than government securities and supplementary pension funds increased from 20 to 26%.

Again in regard to taxes, for 2014 the substitute tax on income taxes applied to the net results achieved by pension funds increased from 11 to 11.5%. Finally, the deadline for the payment of the first TASI instalment was postponed to 16 October 2014 for those cities that have not yet approved the relative rates.

The Decree also establishes rules regarding tenders, abolishing as of 2016 the requirement to publish the tenders and notifications in newspapers and placing the burden of the cost of publishing in the Official Journal on the contractor.

The Law Decree also included a reduction in the IRAP rates, which the subsequent Law No. 190 of 23 December 2014 (Stability Law) abrogated.

[Italian Law Decree No. 90 of 24 June 2014, “Urgent measures for simplification and administrative transparency and for the efficiency of judicial offices,” published in Italian Official Journal No. 144 of 24 June 2014, converted by Conversion Law No. 114 of 11 August 2014, published in Official Journal No. 190 of 18 August 2014.](#)

The Decree concerns independent authorities, extending the regime of incompatibility and introducing measures aimed at containing and rationalising costs. The Decree abolishes the Authority for Supervision of Public Contracts, transferring its responsibilities to the National Anti-Corruption Authority. From 1 January 2015, the Ministry of the Economy will acquire information relating to the equity investments held by the public administrations in joint stock companies through existing databases or by requesting that the said administrations send the information. Finally, a gradual reduction in the amount of annual fees due to the Chamber of Commerce is included (35% in 2015, 40% in 2016, 50% in 2017).

[Italian Legislative Decree No. 153 of 13 October 2014 containing “Further supplementary and corrective provisions to Italian Legislative Decree No. 159 of 6 September 2011 on the Code of anti-Mafia laws and preventive measures, as well as new provisions on anti-Mafia documentation, in application of articles 1 and 2 of Italian Law No. 136 of 13 August 2010”, published in the Italian Official Journal No. 250 of 27 October 2014.](#)

This provision amends and supplements Italian Legislative Decree No. 136/10, establishing temporary rules until activation of the Single National Data Bank and corrective measures on the consultation and issuing methods for anti-Mafia documentation and communications via the same data bank. Furthermore, it expands on the content of anti-Mafia communications, with information relating to people living with those who hold important positions in the company.

[Italian Law No. 183 of 10 December 2014, containing “Powers delegated to the Government with regard to reforming social programmes, labour services, and proactive policies, as well as revising the employment regulations, inspection activities, and supervision and reconciling the needs for healthcare, life and employment,” published in Official Journal No. 290 of 16 December 2014.](#)

The Law delegates the Government to issue legislative decrees, by June 2014, to reform employment regulations. The delegation also provides for the introduction of contracts with gradual protections for newly hired permanent employees and rationalisation of existing contract types. Changes are foreseen to the regulations related to employment relationships, also with reference to job descriptions, care for relatives, administrative charges, and communication requirements. The delegation also includes a reform of social programmes and proactive labour policies.

[Italian Law Decree No. 192 of 31 December 2014 on “Extension of the terms envisaged by legislative measures” published in Italian Official Journal No. 302 of 31 December 2014, converted with Italian Law No. 15 of 27 February 2015, published in Italian Official Journal No. 49 of 28 February 2015.](#)

The Law Decree extends the obligation to pay an advance on work contracts for 2015 and 2016.

For 2015 it also introduces an increase in the obligatory advance which goes up from 10 to 20 per cent of the amount.

The Decree also postpones to 2016 the effectiveness of the provision that abolishes the obligation for the taxpayer to present online, by the end of February of each year, a communication of the data on value added tax with reference to the previous calendar year and the obligation to present the annual single tax return for subjects whose tax period coincides with the calendar year obliged to present an income tax return and an annual return for VAT purposes.

[Italian Legislative Decree No. 23 of 4 March 2015, containing “Provisions on the subject of permanent employment contracts with growing protections, implementing Italian Law No. 183 of 10 December 2014”.](#)

The measure implements one of the delegated powers contained in Italian Law 183/14, introducing the contracts with growing protections. The new rules on permanent contracts applies to employees taken on permanently from a date subsequent to 6 March 2015. The new penalty system provides for re-employment only in cases of dismissal which is ineffective because it is communicated orally, dismissal which is invalid because it is discriminatory, total non-existence of the alleged conduct and collective dismissal communicated without observing the written form. In other cases of illegitimate dismissal, a monetary penalty is provided for in the form of compensation, equal to 2 months’ pay (one in the case of mere formal or procedural defect) for each year of service, in any case not less than 4 and not more than 24. The decree also states that the employer may make a conciliatory offer equal to 1 month’s pay for each year of service (in any case not less than 2 and not more than 18), which once accepted by the worker precludes the possibility of a subsequent appeal against dismissal.

### On infrastructures and energy

Presidential Decree No. 85 of 25 March 2014, “Regulations for the identification of assets of strategic relevance in the energy, transport and communications sector, pursuant to article 2, paragraph 1, of Law Decree No. 21 of 15 March 2012,” published in the Official Journal of 6 June 2014.

The Regulation identifies the area of application of the regulations on special powers envisaged by Legislative Decree 21/12. The National Transmission Grid and the infrastructure that provides electricity to other countries, the control and dispatching systems and the management activities connected to usage of the said infrastructure are subject to the so-called “Golden Power” regulations. As regards these assets, the regulations on special powers provide for an obligation to notify the Council of Ministers beforehand of the deeds, decisions and operations relevant in relation to their management (for example changes in ownership, control or availability of the same, changes in the use, merger or division operations, etc.) and veto power or the ability to set conditions on the part of the Government.

The Decree specifies that, with a continuous license, *“without prejudice to the obligation of notification, the special powers are applied to the degree in which the protection of the essential interests of the State..., including those connected to adequate infrastructure development, are not adequately guaranteed by the existence of specific sector regulations, including of a conventional nature”*.

Finally, certain categories of deeds and intragroup operations indicated by the Decree are excluded from the exercising of the special powers, unless information exists regarding the threat of serious impacts for the public interests related to the security and operation of the grids and the systems and continuity of the supply.

Presidential Decree No. 86 of 25 March 2014, “Regulations for the identification of procedures for the activation of special powers for the energy, transport and communications sector, pursuant to Article 2, paragraph 9, of Law Decree No. 21 of 15 March 2012,” published in the Official Journal of 6 June 2014.

The Regulation establishes the methods by which the requirements are fulfilled and the special powers envisaged in Law Decree 21/12 are exercised.

Law Decree No. 83 of 31 May 2014, “Urgent provisions to protect cultural heritage, develop culture and relaunch tourism,” published in Official Journal No. 125 of 31 May 2014.

The Decree acts to simplify landscape authorisations.

Law Decree No. 91 of 24 June 2014, “Urgent provisions for the agricultural sector, environmental protection and energy efficiency for school and university buildings, the recovery and development of companies, and containment of costs weighing on electricity tariffs, as well as the immediate definition of requirements deriving from European regulations,” published in Official Journal No. 144 of 24 June 2014, converted by Conversion Law No. 116 of 11 August 2014, published in Official Journal No. 192 of 20 August 2014.

The Decree intervenes on certain aspects of the Consolidated Law on Finance, introducing the possibility of providing, in the articles of association of companies with listed shares, for a majority vote and a mandatory takeover bid, not only for any subject that acquires a stake that gives the right to more than 30% of voting rights, but also when a subject, *“following purchases, comes to hold a stake higher than the threshold of twenty-five per cent in the absence of another shareholder that holds a higher stake”*. It also introduces a tax credit in the amount of 15% for spending on new capital goods (division 28 of the ATECO table), incurred from 25 June and up to 30 June 2015, which exceed the average of investments during the five preceding tax periods, with the right to exclude the period in which investments were greatest from the calculation of the average. The credit is divided and used in three annual portions of equal amount, starting from the second tax period subsequent to the purchase.

Other measures are aimed at reducing the energy costs sustained by small and medium-sized enterprises, through actions to remodulate incentives for photovoltaics, to eliminate the subsidised tariffs paid to employees in the electricity sector, partial participation in general system charges on the part of IUGs, EESs, and ESEEEESs, also in relation to the energy consumed and not taken from the grid, revision of the regulations which guarantee coverage of the extra costs incurred on islands not interconnected to the national electricity grid.

Italian Legislative Decree No. 102 of 4 July 2014, “Implementation of Directive 2012/27/EU on energy efficiency, which amends Directives 2009/125/EC and 2010/30/EU and abrogates Directives 2004/8/EC and 2006/32/EC”, published in Italian Official Journal No. 165 of 18 July 2014.

The Decree sets an energy saving target of 20 million TEP of primary energy and 15.5 million TEP of final energy by the end of 2020.

The measure also intervenes on the subject of transmission and grid management, providing for certain energy criteria in regulating energy networks and for the electricity grid fees. In particular, grid fees must reflect “the cost savings in the grids attributable to demand and to demand management and distributed production measures, including savings obtained thanks to the reduction of delivery costs or of investments in the grids and to better operation of the latter”.

The system operators are also obliged to prepare and make public “standard rules on the subject of assumption and distribution of the costs of technical adaptations, such as grid connections and the expansion of the grid, better grid management and rules on the subject of non-discriminatory application of the network codes necessary to integrate new producers who put in to the interconnected grid electricity produced by high-yield cogeneration”.

The Authority for Electricity and Gas is also given certain tasks including to regulate access and participation of demand in the markets for balancing, reserve and other system services, to update measures aimed at ensuring that the remuneration of investments for the construction and operation of the grid works and storage systems takes adequately into account the effectiveness for the purposes of withdrawing energy from renewable sources, of the rapidity of execution and entry into operation of such works, also with reference, in a differentiated manner, to each area of the electricity market and to the different storage technologies.

[Italian Economic Development Ministerial Decree of 15 October 2014 on “supplements to the Italian Decree of 19 December 2013 on the methods and criteria for the importation of electricity for 2014”, published in the Italian Official Journal No. 253 of 30 October 2014.](#)

The Decree, in supplementing the Italian Decree of 19 December 2013 on the methods and criteria for the importation of electricity in Italy for 2014, details that Terna should respect reserves of 50 MW of Italy’s transit capacity with foreign countries in favour of the Vatican City State, through a division of income from the allocation of rights to use the transport capacity across the French border.

#### **On development and loans to businesses**

[Italian Law Decree No. 133 of 12 September 2014, “Urgent measures for starting work, carrying out public works, digitalising the country, simplifying bureaucracy, the hydrogeological instability emergency and for the recovery of productive activities”, published in Official Journal No. 212 of 12 September 2014, converted with Conversion Law no. 164 of 11 November 2014, published in Official Journal no. 262 of 11 November 2014.](#)

The decree provides for measures aimed at encouraging investments for growth and extends the scope of activities of Cassa Depositi e Prestiti to financing operations in sectors of general interest, initiatives of public utility, investments for research, development, innovation and energy efficiency.

It also provides for certain changes to the rules on project bonds, pursuant to Article 157 of Italian Legislative Decree 163/06, permitting that they be dematerialised and eliminating the obligation to highlight also on the security the warning about the risk profile associated with the operation.

Other changes to the laws in effect were aimed at simplifying authorisation procedures and providing greater stability to the administrative provisions issued, limiting cases in which acts can be revoked and unifying the date as of which the validity begins for final provisions and procedural acts released in service consultations.

[Italian Law Decree No. 3 of 24 January 2015 containing “Urgent measures for the banking system and investments”, published in Italian Official Journal No. 19 of 24 January 2015.](#)

The Decree extends SACE’s scope of activities in support of exports and the internationalisation of the Italian economy, specifying that it can also make direct loans to businesses.

## Resolutions of the Italian Regulatory Authority for Electricity, Gas and Water

Below is a summary of the main resolutions passed by the Italian Regulatory Authority for Electricity Gas and Water (the "Authority") during 2014 and, later, up to the date of preparation of this Annual Report.

### **Resolutions 37/2014/R/eel, 38/2014/R/eel, 39/2014/R/eel, 41/2014/R/eel, 42/2014/R/eel, 43/2014/R/eel and 530/2014/R/eel – Rules on Internal User Grids**

With these resolutions, the Authority intervened on the subject of Internal User Grids (IUGs), introducing changes to Table 1 of Resolution ARG/elt 52/10 containing the list of the IUGs, also rejecting some applications related to the inclusion of plants in the IUGs owned by certain companies, for failure to comply with the requirements of Italian Law No. 99 of 23 July 2009.

### **Resolution 55/2014/R/eel – Decisions on the essential production plants San Filippo del Mela 220 kV, San Filippo del Mela 150 kV, Ottana and Trapani TG**

With this measure, the Authority determined the amounts of the advance fee for cost reintegration, in relation to some of the plants essential for the year 2013 (S. Filippo del Mela and Ottana) and changed the values of the relevant parameters for application of the cost reintegration arrangements for the year 2014, with reference to the Trapani TG plant.

### **Resolution 65/2014/R/eel – Revision of the fee for non-compliance with a switch-on order**

With this measure, the Authority provided a review of the fee for non-compliance of the order of switch-on (the so-called MROA, designed to cancel or curtail the remuneration paid to the user of the dispatching in the event that switch-on does not take place or takes place with times and methods other than those required), requiring Terna to prepare a proposal to amend the Grid Code in accordance with the criteria defined by the Authority. In particular, the Authority requires that:

- the index of non-compliance of the switch-on order (NMROA) is calculated taking into account only the switch-ons ordered by Terna in the Dispatching Service Market (DSM) in excess with regard to the switch-on operations carried out within the energy market;
- in case it is not possible to uniquely associate the remuneration of the switch-on fee to a specific switch-on manoeuvre ordered in the Dispatching Services Market, the NMROA index is calculated using a conventional criterion defined by Terna.

### **Resolution 66/2014/R/eel – Transitory system for remuneration of the energy output of production units for primary frequency regulation**

With this measure, the Authority introduced a transitional mechanism, in the context of its full operation, which allows the recognition of the remuneration of the contribution to the primary regulation provided by the production unit as early as 1 April 2014, on the basis of the proposal made by Terna in this regard. The transitional mechanism envisages activation of tests remotely by Terna from the month of July 2014 and authorisation requirements for the production units similar to those provided by the mechanism in normal operation. There are also measures similar to the operational mechanism, notwithstanding non-recognition of the remuneration of the contribution to the primary regulation from the date of authorisation, in cases of operator failure to start tests remotely and of negative outcome of the first remote test after verification of Terna.

### **Resolution 90/2014/R/eel – Amendments and additions to Authority Resolution 48/04, on the extra fee for transitory remuneration of available production capacity**

With this measure, the Authority updated the transitional rules for the further remuneration fee for availability of electricity generation capacity referred to in Article 36 of Resolution 48/04 and, in particular, it determined that:

- in the context of the outcome of the cases pending before the Council of State on the method of calculation of the additional remuneration fee for availability of production capacity, Terna shall pay market operators an advance on the further fee relating to the years 2012 and 2013;
- the amount to be allocated to the further fee relating to the years 2012 and 2013 is equal to € 60 million per year, deriving, overall, from the residues of the years from 2009 - 2013 and from part of the 2014 revenue.



#### **Resolution 118/2014/R/eel – Determination of bonuses for electricity transmission service quality for the year 2012**

With this measure, the Authority provided for the determination of bonuses for electricity transmission service quality for the year 2012. The total amount of bonuses amounted to € 19,040,000, divided between the two distinct indicators RENS – Terna S.p.A. and RENS – Terna Rete Italia S.r.l.. With the same resolution, the Authority also gave mandate to the Electricity Industry Adjustment Fund to perform, before 30 April 2014, the payment of the total of bonuses to Terna, to the account “Electrical services quality.”

#### **Resolution 176/2014/E/rht – Revision of the criteria and methods used to supervise observance of the prohibition on passing on the tax surcharge - “Robin Hood Tax”**

With this provision, the Authority established the review of the criteria and methods used to supervise respect for the prohibition on transfers to consumer prices of the so-called Robin Hood tax increase, effective as of financial year 2013. Specifically, the provision introduced some simplifications with reference to the information requested and the time allowed to comply with the data gathering established by the Authority, also establishing that subjects for whom revenues are fixed administratively must transmit minimal accounting information. The Authority also made certain changes to the criteria followed by the same for any accounting verifications of the supervised subjects.

#### **Resolution 206/2014/R/eel – Payment and coverage of final costs, for the year 2013, communicated by Terna S.p.A., for performance of market monitoring activities – and Resolution 561/2014/R/eel – Payment of the costs estimated for the year 2015, communicated by Terna S.p.A., for performance of the wholesale electricity market monitoring activities**

With Resolution 206/2014/R/eel, the Authority set down the payment and coverage of final costs for the execution of market monitoring activities, communicated by Terna for the year 2013. Specifically, the Authority quantified the amount of final costs recognised to Terna for the execution of monitoring activities at € 834,250 and the income coming from the difference between the final costs recognised and the estimated costs recognised at € 130,280 to be recovered through the fee for Terna operations, relative to the year 2015.

With Resolution 561/2014/R/eel, the Authority then acted to quantify the amount of the estimated costs recognised for 2015 for Terna for its monitoring activities at € 902,924, stating that the amount of € 772,644 (difference between estimated costs and the difference quantified in Resolution 206/2014/R/eel) would be covered through the fee for Terna operations for the year 2015.

#### **Resolution 227/2014/R/eel – Acceptance of Terna S.p.A.’s application on the subject of the location of power intensive storage systems**

With this provision, the Authority accepted the request by which Terna had asked to replace the sites for the construction of the power intensive accumulation systems, originally approved and identified with Resolution 43/2013/R/eel. With the same total installed capacity, the Ottana site is therefore replaced with the Codrongianos site and the name of the project is changed from “Ottana” to “Sardegna” and the site of Caltanissetta is replaced with the sites of Ciminna and Casuzze and the name of the project is changed from “Caltanissetta” to “Sicilia.”

#### **Resolution 231/2014/R/com – Rules on the subject of accounting separation (unbundling) obligations for the electricity and gas sector**

With this provision, the Authority introduced new provisions regarding the obligations for separate accounts for the electricity and gas sectors. Specifically, with this provision the Authority approved the new “Integrated Accounting Unbundling Rules” (IAUR - Annex A), establishing their efficacy as of financial year 2014 and repealing the accounting separation provisions contained in the “Integrated Unbundling Rules” (IUR - Annex A to provision no. 11/07), which are contrary to the same, while simultaneously giving a mandate to the Infrastructure Unbundling and Authority Certification Direction to establish a technical working group with category operators and associations aimed at preparing a regulatory accounting manual which contains specific detailed techniques for the preparation of separate annual financial statements pursuant to the IAUR. The Authority also postponed to subsequent provisions the review of functional unbundling obligations for the electricity and gas sector.

#### **Resolution 235/2014/A – Determination of the contribution rate for the operation of the Authority for electricity, gas and water, payable for the year 2014 by subjects operating in the sectors of electricity, gas and water services.**

With this provision, the 2014 contribution rate for operating charges was set for the Authority, owed by subjects operating in the sectors of electricity, gas and water services. For subjects operating in Italy in the electricity and gas sectors, including companies operating under foreign law, the resolution establishes the contribution rate in the amount of 0.28 per thousand of income resulting from the financial statements approved relating to financial year 2013 and establishes that this contribution be paid by 31 July 2014.

#### **Resolution 247/2014/R/eel – Decisions on the subject of higher charges incurred for the gas emergency related to 7 - 15 February 2012**

With this provision, the Authority established determinations regarding the greater charges sustained for the gas emergency related to 7 - 15 February 2012. Specifically, the provision is aimed at determining the incremental fixed costs and the specific criteria for the calculation of the variable cost recognised for certain Enel Produzione S.p.A. thermoelectric units, affected by the measures adopted at the time of the gas emergency during February 2012.

#### **Resolution 249/2014/R/eel – Payment of the costs incurred in the year 2013 by Terna for performance of activities regarding the management and development of the Single Production Plant Database Management System – and Resolution 657/2014/R/eel – Payment of the estimated operating expenses, for the years 2015-2019, related to the single production plant database management system**

With Resolution 249/2014/R/eel, the Authority recognised the costs sustained in 2013 by Terna for the execution of activities regarding the management and development of the Consolidated Records Management System of Production Plants (GAUDI). Specifically, the Authority quantified the final costs for 2013 recognised for activities to develop and use the Gaudi system at € 851,767 and envisaged that the savings deriving from the difference between the final costs and the portion of estimated costs recognised for the year 2013, equal to € 213,893, be considered with a negative sign for the purposes of the quantification of the payment for Terna operations relative to the year 2015.

With Resolution 657/2014/R/eel, the Authority then established recognition of these estimated operating costs, for the years 2015-2019, relative to the Gaudi system. Specifically, the Authority approved the evaluations done by Terna for 2015 and each year in the fifth regulatory period, updating operating costs for 2015 equal to € 1,358,912 and recognising an estimated cost for each year from the period 2016 - 2019, equal to € 1,428,000.

#### **Resolution 256/2014/E/com – Launch of a fact-finding enquiry on investments of regulated companies**

With this provision, the Authority began an investigatory review in order to verify the accuracy of the information communicated to it by the companies regulated and to acquire elements useful for evaluating the congruity of the relative investments with the needs of the service in terms of adequacy, efficiency and security of the infrastructure, with reference to their repercussions on tariffs and respect for investment programs. The provision also establishes that the review may be divided into multiple stages and that, during the first stage. The information sent for the determination of reference tariffs for the distribution service will be investigated, relative to the years 2012, 2013 and 2014.

#### **Resolution 259/2014/R/eel – Ascertainment of progress in achieving the milestones of strategic investments for development of the National Transmission Grid in relation to the second half of 2013 – and Resolution 654/2014/R/eel – Update of the milestones and target dates of strategic investments for development of the National Transmission Grid**

With Resolution 259/2014/R/eel, the Authority expressed its opinion regarding the achievement of the milestones for the development projects for the National Transmission Grid envisaged for the second half of 2013. Specifically, the Authority ascertained the achievement status of the milestones for the development projects planned for the second half of 2013, including those related to subsequent years and completed in advance, as well as the reaching of the threshold of 70% of the total conventional value of said milestones. Therefore, the Authority established that Terna be granted the incentive for accelerating investments on fixed assets in progress relating to the I=3 investments in existence at 31 December 2013, to be included in the transmission fees related to the year 2015.

With Resolution 654/2014/R/eel, the Authority acted to update the milestones and target dates for strategic investments to develop the National Transmission Grid. The provision concluded with the Authority's assessments regarding Terna's associated proposal and updated, pursuant to article 26.4 of the TIT and for each of the actions allowed under the incentive mechanism for acceleration and the penalty mechanism, the target date and methods for ascertaining its achievement, the milestones, associated methods of ascertainment and the value agreed upon for each milestone.

#### **Resolution 265/2014/R/eel - Verification of conformity on the proposed amendments to the Code of Transmission, Dispatching, Development and Security of the Electricity Grid**

With this provision, the Authority approved, with amendments, the proposed revision of the Grid Code formulated by Terna for the purposes of the introduction of market coupling. Specifically, the Authority asked to amend the reference program with respect to which dispatching users must formulate offers valid for the scheduling stage of the Dispatching Services Market; it postponed to 30 September 2014 the deadline for sending the new proposal for subdividing the relevant grid in zones valid for the three year period from 2015-2017 to the Authority; it repealed the regulations resulting from resolution 111/06 that envisaged the possibility for Terna to present sales and purchasing offers on the day ahead market in exceptionally critical situations. The Authority also found it appropriate to accept the proposal to introduce an additional session of the Intraday Energy Market, and consequently the Dispatching Services Market, already subjected to public consultation.

### **Resolution 278/2014/R/eel – Decisions on essential production plants.**

This provision is aimed at the determination of the amounts for the advance of the payment for reintegration of costs in relation to the essential systems for the year 2013 available from Enel Produzione S.p.A. and the approval of the typical technical parameters of the systems under the reintegration regime for 2013 for Edipower S.p.A. and Enel Produzione S.p.A. With this provision, the Authority also integrated the regulations, updating the provision regarding the determination of the economic items relative to the Emissions Trading Scheme.

### **Resolutions 301/2014/R/eel, 566/2014/R/eel e 578/2014/R/eel – Rules on the subject of interruptible electrical resources**

With these resolutions, the Authority defined the procedures for supplying interruptible resources.

Specifically, with Resolution 301/2014/R/eel, the Authority arranged for the extension for the second half of 2014, without prejudice to the right to withdrawal, of the existing interruption service contracts. The Resolution also envisaged that Terna continue to carry out monthly auctions starting from the month of July and continuing through December 2014, pursuant to the regulations in effect.

The Resolution also governed the procedures for forward supply contracts by Terna in regard to instant and emergency interruptibility resources, effective as of 1 January 2015, postponing the definition of certain parameters to a later decision of the Authority on the basis of any directions received from Parliament and the Government.

Subsequently, with Resolutions 566/2014/R/eel and 578/2014/R/eel, the Authority, taking into account the guidelines of the Ministry for Economic Development, consolidated the structure governing the interruption service pursuant to Resolution 301/2014/R/eel and approved the Regulations for the forward procurement procedure of the interruption services for the period 2015-2017 and the standard contract model for disbursement of said services, as sent by Terna.

### **Resolution 316/2014/R/eel – Determination of the advance of the reintegration fee for essential production units available to Enel Produzione S.p.A.**

The provision is aimed at determining the amounts to be paid to Enel Produzione S.p.A, as an advance, for the payment for reintegration of the costs for the years 2010 and 2011, in relation to the essential production units, for the availability of Enel Produzione, which operates on electricity grids with the obligation of connection to third parties that are not interconnected with the National Transmission Grid.

### **Resolution 320/2014/R/eel – Proposal, to the Ministry for Economic Development, to integrate the regulations for the transitional mechanism for remuneration of capacity with respect to the needs for flexibility of the electricity system**

With this provision, the Authority presented the Ministry for Economic Development, pursuant to article 1, paragraph 153 of La 147/13, with a proposal to integrate the regulations for the transitional mechanism for remuneration of capacity with respect to the needs for flexibility of the electricity system. Specifically, the provision contains a proposal to restructure the transitional mechanism for forward supplies of production capacity appropriate to provide adequate flexibility services on a three year basis, with reference to 2015-2017.

With regard to the capacity market when fully operational, the Authority also held it appropriate to act as a priority, with the reform of the Dispatching Services Market relative to the flexibility services, so as to envisage at a later time the possible integration of the capacity market with a segment of the market for trading of flexible products.

### **Resolution 400/2014/R/eel – Rules on the extra fee for transitory remuneration of the available production capacity. Amendments and additions to Authority Resolution 48/04**

With this measure the Authority adopted rules on the tariff for transitory remuneration of the available production capacity and a number of changes and additions to Resolution 48/04. In particular, the Authority changed the transitory rules on the extra tariff remunerating the available electricity generation capacity for the years from 2010 to 2013, in the light of Judgement 3051/2014 of the Council of State, excluding the component related to green certificates from the formula for calculating the effective revenue of market operators.

With particular regard to the years 2012 and 2013, the Authority ruled that Terna must determine and pay the extra tariff, established according to the indications of the Council of State, net of the advance paid to the operators under the terms of Resolution 90/2014/R/eel and that the revenue destined for these tariffs must remain € 60 million for each year in question. In relation to the years 2010 and 2011, the Authority also ruled that Terna must determine and pay the extra tariff, established using the criterion of retaining the amounts deriving from the previous methodology, revised to take into account the indications expressed in the Council of State's judgement.

### Resolutions Nos 347/2014/R/eel and 425/2014/R/eel – Rules on essential production plants.

With these measures the Authority set forth a number of provisions and updates in relation to rules on essential production units.

In particular, with Resolution 347/2014/R/eel, the Authority made rulings on the subject of the essential production plants available to the company Edipower S.p.A., establishing, in particular, that Terna must pay this company, by 31 August 2014, the balance of the tariff covering the generation costs for the year 2012 for the San Filippo del Mela 150 kV and San Filippo del Mela 220 kV plants.

With Resolution 425/2014/R/eel, the Authority introduced a number of changes relating to the systems for remunerating essential plants pursuant to Resolution No. 111/06 and to determination of the tariff covering the costs for the year 2011 in relation to the essential production capacity of the company E.ON Global Commodities SE, establishing that Terna must pay this company the balance of the tariff covering the costs in relation to the year 2011.

As regards essential plants for the year 2011, the Resolution also stated that Terna must make the adjustments to the tariff covering the costs, taking into account the provisions of Resolution 400/2014/R/eel, on the subject of the extra tariff remunerating the available generation capacity. The Resolution, in addition, changes the method for calculating the revenues of essential plants under the system of covering costs to be used for calculating both the expenses and the revenues in relation to the amount due for CO<sub>2</sub> emissions.

### Resolution 421/2014/R/eel – Further changes related to distributed generation plants aimed at ensuring the security of the national electricity system

With this measure the Authority adopted a number of further changes related to distributed generation plants aimed at ensuring the security of the national electricity system, approving the updated version of Annex A. 72, “Procedure for Reduction of Distributed Generation in emergency situations of the National Electricity System (RIGEDI)”, the application of which was set as starting from 1 September 2015. Among other things, the Authority established:

- that distributor companies are obliged to implement a centralised system capable of sending the necessary signals to activate remote disconnection by 1 September 2015;
- a retrofit programme for wind and solar production plants of power greater than or equal to 100 kW already connected or to be connected in Medium Voltage, for which an application for connection was presented prior to 1 January 2013;
- that Terna must assess further solutions in addition to those currently available and to those that will become available by implementing the measure, in order to tackle any future critical problems in the electricity system, informing the Authority of such;
- that the interruptions consequent to RIGEDI should not entail the automatic refunds provided for in the regulation on quality for distributors and should not contribute to the calculation of relevant energy not supplied for Terna, therefore requiring the company to amend Annex A. 54 to the Grid Code containing “*Classification and recording of user interruptions related directly or indirectly to the National Transmission Grid*”.

### Resolution 424/2014/R/eel – Extension of the validity of the subdivision into zones of the main grid in force for the three years 2012-2014, to the year 2015

With this measure the Authority ordered an extension of the validity of the subdivision into zones of the main grid in force for the three years 2012-2014, also for the year 2015, in order to ensure timely implementation of market coupling on the northern borders. The Resolution also postponed the deadline for transmission, by Terna to the Authority, of the proposed subdivision into zones of the main grid to a date to be set in a subsequent measure, to be identified taking into account the need to ensure definition of a new zonal configuration for the three years 2016-2018.

### Resolution 426/2014/R/eel – Additions and amendments to the regulation relating to simple production and consumption systems

With this measure the Authority provided a number of clarifications on application of the Integrated Text on simple production and consumption systems (TISSPC) pursuant to Resolution 578/2013/R/eel. The measure is aimed at clarifying certain requirements provided for in the regulation for the purpose of issue by the Energy Services Operator (ESO) of qualification as Simple Production and Consumption System (SPCS), as Efficient Energy System (EES) and as Existing System Equivalent to Efficient Energy Systems (ESEEEES).

### Resolution 427/2014/R/eel – Monitoring the development of distributed generation systems in Italy for the year 2012

With this measure, the Authority approved the annual report monitoring the development of distributed generation plants for the year 2012, on the basis of the information transmitted by Terna. In particular, the report highlights the state of distributed generation and small generation in Italy compared to 2012 and provides the reference regulatory framework for distributed generation.

In order to promote the integration of distributed generation plants in the electricity system, encouraging their sustainable growth over time, ensuring at the same time the security of the electricity system itself, the Authority also stated its intention to continue in the process of modifying dispatching and promoting the development of network infrastructures.

Within the measure the Authority also stressed the significance of the process of rationalising information flows relating to production plants through the GAUDÌ system.

#### **Resolution 440/2014/E/eel – Approval of an inspection of the electricity transmission company, on the subject of service quality**

With this measure the Authority ordered an inspection to be carried out on the subject of service quality in relation to Terna, to be performed by 31 December 2014. In particular, the Resolution precisely defined the methods through which the verification operations will take place and the subject of the same, with particular reference to correct application of the obligations to record outages and of the calculations of energy-not-supplied indicators, communicated by the company to the Authority during 2014.

#### **Resolution 446/2014/R/com – Criteria and methods for assessing infrastructural investments and for awarding the incentives in relation to the higher risks faced by infrastructural projects of common interest in the electricity and natural gas sectors**

With this measure, implementing the provisions of Regulation (EU) 347/2013 and in keeping with the ACER recommendation of 27 June 2014, the Authority published a document that illustrates the criteria and methods currently used to assess infrastructural investments, including assessment of possible greater risk faced by Projects of Common Interest (PCIs) in the electricity and natural gas sectors.

The Resolution notes, in general, that the principles adopted by the Authority to regulate infrastructural services for electricity transmission and transport, regasification and storage of natural gas are aimed at pursuing the objectives of adequacy, efficiency and security of the infrastructures, reconciling these objectives with the protection of final customers. However, considering the fact that particular situations could occur in which the framework of current rules is not sufficient to support the creation of PCIs, the Resolution provides for the possibility – for promoters that consider that their Projects of Common Interest present greater risk compared with that normally associated with an infrastructural project the coverage of which is governed by current regulations – to present an application to the Authority for the purpose of obtaining the incentives provided for in Article 13, paragraph 1, first sentence, of Regulation (EU) No. 347/2013.

#### **Resolutions 487/2014/R/eel – Criteria for assigning the instruments hedging the volatility risk of the transport capacity use fee – and 533/2014/R/eel – Approval of the proposal by Terna regarding implementation of the procedures for assigning instruments hedging against the volatility risk of the transport capacity use fee (CCC and CCP) for the year 2015**

With these measures the Authority laid down provisions on the subject of instruments hedging against the risk of volatility of the transport capacity use fee (CCC) for the year 2015.

In particular, with Resolution 487/2014/R/eel the Authority defined the criteria for assignment of the CCCs for 2015. The Resolution states, in particular, that by 15 October 2014 Terna must transmit to the Authority the proposed regulation on the competitive procedures for the year 2015 taking into account the following criteria:

- annual assignment of the CCCs must be carried out preserving the mechanism for calculating the maximum quantity of CCCs assignable to each operator currently in force;
- to the production capacity located in the hubs of Brindisi, Foggia and Priolo, in keeping with the provisions of Resolution 424/14/R/eel on subdivision into zones for the year 2015, the same limits should be applied as those envisaged for assignment of the CCCs on an annual basis used in the adjacent zone;
- a number of clarifications are provided and, following the last session of the tender procedure, details of the offers presented by the operators in that session are released to the operators.

In addition, the Resolution states that starting from the competitive procedures for 2016, Terna must update the methods for calculating the production capacity of non-thermoelectric production units, so as to take into account the seasonality typical of such units.

Finally, during the course of 2015, the Authority and Terna will have to carry out research aimed at verifying the possibility of using the register established pursuant to Regulation 1227/2011 ( REMIT) to define the maximum quantity of CCC that can be assigned to a single market operator, with reference to the notion of corporate groups.

With Resolution 533/2014/R/eel, the Authority approved Terna's proposal for implementing the tender procedure for assignment of the CCCs for the year 2015, considered compliant with the criteria indicated above.

### **Resolution 500/2014/R/eel, Resolution 521/2014/R/eel, Resolution 667/2014/R/eel – Rules on essential plants**

With these measures the Authority laid down provisions on essential plants.

In particular, with Resolution 500/2014/R/eel, the Authority defined the technical and economic parameters relevant in applying the contractual regimes, pursuant to Article 65-*bis* of Resolution 111/06, in relation to the macro-zones Continent and Sardinia, while with Resolution 521/2014/R/eel specific provisions are laid down with reference to essential plants located in Sicily, implementing the provisions of Art. 23, Section 3-*bis*, of Italian Law Decree 91/14. This Law Decree, in fact, delegated to the Authority the definition of the methods of offer and remuneration of the said units which, until the “Sorgente–Rizziconi” 380kV power line comes into operation, are considered essential resources for the security of the electrical system. As regards the criteria for offer and remuneration of the essential units, the system of rules on cost reintegration is replicated, in general, without prejudice to certain specific rules, in relation to the methods and quantification of the offers. An obligation for Terna to insert these units in a dedicated section of the list of essential plants is also provided for. Terna must also notify the Authority and the users of the dispatching that own such units when the Sorgente–Rizziconi power line comes into operation. This is currently planned for no later than 30 June 2015.

With Resolution 667/2014/R/eel, the Authority added to the provisions pursuant to Resolution 521/2014/R/eel with reference to the essential non-renewable programmable units pursuant to Law Decree 91/14 and:

- approved the parameters communicated to Terna and the relative requests presented by dispatching users, with reference to the essential plants pursuant to Law Decree 91/14, for the purposes of determining the variable cost recognised;
- determined the methods Terna must use to update and publish information about the date and methods by which the Sorgente-Rizziconi will begin operations.

### **Resolution 575/2014/R/eel – Decisions on the requests for advance payment of the reintegration fee, in relation to essential plants**

With this resolution, the Authority adopted certain determinations in regard to claims for the recognition of the reintegration fee relative to essential plants. Specifically, the resolution determined the amounts to be paid for reintegration of the costs pertaining to the Montemartini plant for the years 2010 and 2011, and an advance of said amount, in relation to each essential plant, for the year 2013.

### **Resolution 600/2014/R/eel – Decisions on alternative systems for the essential plants**

With this resolution, the Authority adjusted the values of the relevant technical/economic parameters in the context of alternative remuneration systems for essential plants for the year 2015, in consideration of Enel Produzione S.p.A.’s decision to partially adhere to these systems.

### **Resolution 638/2014/R/eel – Rules on the subject of essential plants pursuant to Authority Resolution 111/06, in the Sicily macro-zone, for the year 2015, relevant also for the implementation of Law Decree 91/14**

With this resolution, the Authority established provisions regarding essential plants, pursuant to Resolution 111/06, in the Sicily macrozone. Specifically, this resolution is aimed at determining the values of certain relevant parameters for the application of the typical systems and the system pursuant to Law Decree no. 91 of 24 June 2014, as converted by Law no. 116 of 11 August 2014, for essential production plants in Sicily, for the year 2015.

### **Resolution 639/2014/R/eel – Rules on the subject of essential plants pursuant to Authority Resolution 111/06, in the continent and Sardinia macro-zones, for the year 2015. Amendments and additions to Resolution 111/06.**

With this resolution, the Authority established provisions regarding essential plants, pursuant to Authority Resolution 111/06, in the Continent and Sardinia macrozones, approving to that end the proposals put forward by Terna, with a few exceptions requested by the relevant dispatching users. Specifically, the resolution is aimed at determining the values of certain relevant parameters for the application of the typical systems to essential production plants for the year 2015.

### **Resolution 668/2014/R/eel – Decisions on the requests for admission, for the year 2015, to the cost reintegration system pursuant to Authority Resolution 111/06**

With this resolution, the Authority adopted determinations regarding requests for admission, for the year 2015, to the reintegration of costs system, pursuant to Resolution no. 111/06. Specifically, with respect to the admission requests received from dispatching users who own plants classified as essential, the Authority:

- accepted the requests relative to the 150 kV San Filippo del Mela plants (dispatching user: Edipower), and those in Assemini, Portoferraio and Sulcis (dispatching user: Enel Produzione) and Ottana (dispatching user: Ottana Energia);
- rejected the requests relative to the 220kV San Filippo del Mela plant (dispatching user: Edipower), that in Milazzo (dispatching user: Edison Trading) and that in Priolo (dispatching user: Enel Produzione);

asking Terna to consequently modify the list of essential plants pursuant to paragraph 63.1 of Resolution 111/06 for the year 2015, keeping these plants in the list of the essential units prepared with reference to plants subject to the system envisaged in Law Decree 91/14.

### **Resolution 669/2014/R/eel – Approval of the contractual templates in relation to the alternative systems for essential plants, for the year 2015**

With this provision, the Authority approved the proposed contractual templates relative to the alternative systems for essential plants sent by Terna in implementation of Resolution no. 111/06. These contracts are aimed at regulating the methods used to fulfil obligations for dispatching users which, for the year 2015, have chosen to adhere to the alternative system envisaged for essential plants.

### **Resolution 522/2014/R/eel – Rules on dispatching of non-programmable renewable sources following the judgement of the Council of State – Sixth Section – No. 2936 of 9 June 2014 – and Resolution 643/2014/R/efr – Approval of amendments to the network code made by Terna in relation to the unbalancing of non-programmable renewable sources**

With this resolution, the Authority, in implementation of Council of State judgement no. 2936/14, revised the rules on unbalancing for non-programmable renewable sources (NPRS).

The measure in brief provides a mechanism for assessing unbalancing for NPRS plants characterised by:

- a) bands differentiated on the basis of the source (49% for significant wind-powered PUs, 31% for significant PV PUs, 8% for significant flowing water PUs, 1.5% for significant other-source PUs, 8% for the aggregate of non-significant PUs);
- b) assessment of unbalancing above the band with the same methods with which unbalancing of unenabled production units is currently assessed;
- c) allocation to producers of the costs of unbalancing within the band, by applying a unitary fee differentiated by market zone to the energy involved in the unbalancing.

As an alternative to this method of assessing unbalancing, dispatching users may opt, on an annual basis, for the unbalancing price envisaged for unenabled production units to be applied to all unbalancing.

With Resolution 643/2014/R/efr, the Authority positively verified amendments made by Terna to Chapter 7 of the Grid Code concerning Settlement of the economic items relating to the dispatching service and to the transmission service, in order to incorporate the provisions of [Resolution 522/2014/R/eel](#).

### **Resolution 525/2014/R/eel – Amendments and additions to the rules on effective unbalancing of electricity**

With this measure the Authority provided for changes and additions to the rules on effective unbalancing of electricity. In particular, in accordance with the provisions of Art. 23, Section 3-*bis*, of Italian Law Decree 91/14, for the purposes of calculating the unbalancing prices, the Sicily and Sardinia macro-zones are removed by merging these macro-zones with the South macro-zone.

In addition, the Authority makes explicit the application to all physical production and consumption units of the obligation to define input programmes using the best estimates of the quantities of electricity effectively produced by the said units, in accordance with the principles of diligence, prudence, expertise and foresight.

### **Resolution 534/2014/R/eel – Rules on treating withdrawal points in relation to the company RFI S.p.A., for the purposes of defining the settlement items for applying the special fee system provided for in the ITT**

With this measure the Authority laid down rules on the subject of treating withdrawal points in relation to the Italian rail network company Rete Ferroviaria Italiana (RFI) S.p.A., introducing the obligation, for this company, to sign separate contracts with Terna and the distributor companies for its withdrawal points according to the way in which the energy withdrawn is used.

### **Resolution 546/2014/R/eel - Approval of the rules for allocating the cross-border transport capacity valid starting from the year 2015**

With this resolution, the Authority approved the new version of the rules for the annual, monthly and daily allocation of the cross-border transport capacity, known as the “Access Rules”. These rules were prepared by Terna together with the other grid managers participating in the work of the Regional Initiatives for Central South and Central West Europe, Spain and Switzerland. The “Access Rules”, which take effect on 1 January 2015, update the current rules, also in consideration of the start of market coupling, expected during 2015, on the Italy/Austria and Italy/France borders.

### **Resolution 562/2014/R/eel – Approval of the regulations governing auctions for virtual electricity imports, for the year 2015**

With this resolution, the Authority approved the regulations which govern auctions for the virtual importing service and the contract structure which regulates the relations between Terna and the subjects who undertake to execute the virtual importing service (shippers), selected as a result of the auctions for 2015, as transmitted by Terna.

### **Resolution 569/2014/E/eel – Determination of the bonuses and penalties related to electricity transmission service quality, for the year 2013**

With this resolution, the Authority determined the amount of the bonuses/penalties relative to transmission service quality. Under the resolution Terna is held to pay a total penalty of € 1,280,000.00 for the year 2013 for the “Electricity Service Quality” account, and 31 December 2014 is set as the date by which this payment must be made to the Electricity Sector Adjustment Fund.

### **Resolution 574/2014/R/eel - Rules related to integrating electricity storage systems into the national electricity system– and Resolution 642/2014/R/eel - Further rules related to the installation and use of electricity storage systems. Rules related to application of the CEI 0-16 and CEI 0-21 Standards**

With Resolution 574/2014/R/eel, the Authority established initial provisions aimed at allowing for management of storage systems in the context of disbursement of the public service, with particular reference to grid access and use. Specifically, the provisions included for the provision of the dispatching service are considered transitional, while awaiting the completion of the review of the dispatching service. The resolution also expressly excluded storage systems created by grid managers in the context of pilot projects from the scope of application.

The Authority also envisaged that Terna, by the 31 March 2015, will define and submit for verification by the Authority, a project relative to the changes to be made to the GAUDÌ system to allow for management of storage systems and the relative schedules for implementation, also requesting the definition of transitional methods which will guarantee connection and registration of storage systems installed previously. With Resolution 642/2014/R/eel, the Authority, following completion of the update to the technical regulations by the Italian Electro-technical Committee, in regard to the requirements for storage systems connected to distribution grids, then defined further provisions relative to the installation and use of the same, added to that provided in Resolution 574/2014/R/eel.

### **Resolution 587/2014/R/eel – Amendments and additions to the Integrated Settlement Rules - ISRs**

With this resolution, the Authority established changes and additions to the Integrated Settlement Rules, effective as of 1 January 2015. Specifically, the Authority moved forward the schedule of the monthly settlements, with consequent determination of the economic dispatching items by the last day of the month subsequent to the month in question and liquidation of the same by the sixteenth (or seventeenth) business day of the second month subsequent to the month in question. The Authority also changed the schedule for adjustment and equalisation sessions, adding to each adjustment session (known as SEM 1 and SEM 2) a window of time that allows users to check the data sent to Terna by the distribution companies in the context of the adjustment sessions and notify the relevant distribution companies of any anomalies, so as to implement data correction in the same adjustment session without the need to wait for the subsequent year.

### **Resolution 595/2014/eel – Regulation of the service of measuring electricity produced**

With this resolution, the Authority updated the regulations which govern the metering service for electricity produced. In particular, the Authority envisaged that:

- activities to collect, validate, register and make available the metering of electricity produced (remote reading) is the responsibility of the grid manager to which the plant is connected, even for production plants already operating as of 27 August 2012;
- in relation to activities to install and maintain the meters, the current regulatory framework was confirmed, with the exception of meters relative to Low Voltage production plants with a nominal power greater than 20 kW and provided with metering equipment owned by the producer, that cannot function with the remote reading system, for which the responsibility for installation and maintenance lies with the grid manager.

### **Resolution 599/2014/R/eel - Clarifications for application on the subject of economic treatment of energy output from production units for primary frequency regulation**

With Resolution 599/2014/R/eel, the Authority specified application details related to the economic treatment of energy provided by production units for primary frequency adjustment. Specifically, the Authority asked Terna to amend the Grid Code, specifying as part of the formula used to calculate the value of the contribution to primary adjustment, pursuant to Resolution 231/2013/R/eel, the application of a maximum limit equal to the value of the electricity not supplied, pursuant to Resolution no. 111/06 (VENF) and a minimum limit of € 0/MWh.

With Resolution 643/2014/R/efr, the Authority subsequently approved the amendments made by Terna to the Grid Code, in order to implement that envisaged in Resolution 599/2014/R/eel.

### **Resolution 612/2014/R/eel – Implementation of the provisions of Law Decree 91/14 on in situ exchange**

With this resolution, the Authority, in order to implement that provided in Law Decree no. 91/14, established specific changes to the regulations on in situ exchange, amending the Consolidated In Situ Exchange Regulations (TISP) and the Consolidated Simple Production and Consumption Services Rules (TISSPC).



Specifically, with reference to the TISP, the Authority established, among other things, that in situ exchange systems are classified as Simple Production and Consumption Services (ASSPC), that there is a distinction between ASSPC that have a right to access the in situ exchange system with installed power not greater than 20 kW, for which all production plants are exclusively powered by renewable resources (SSP-A) and the other ASSPC which have a right to access the in situ exchange system (SSP-B) and, finally, that access to in situ exchange also be extended to production plants with power up to 500 kW, powered by renewable resources and operating as of 1 January 2015.

With reference to the changes and additions to TISSPC, the resolution established a simplification of the procedure used to qualify ASSPC that access in situ exchange. The resolution also established a revision of the schedules and content of the informational flows exchanged between the Energy Services Operator, Terna and the distribution companies.

#### **Resolution 640/2014/R/eel – Rules on managing measurement data in the Integrated Information System with reference to withdrawal points treated on a time basis**

With this resolution, the Authority arranged for the start of experiments, in the context of the Integrated IT System, on management of consumption data related to withdrawal points registered on an hourly basis. These experiments are aimed at monitoring proper application of the provisions of the Integrated Metering Service regulations (TIME), relative to making the measurements available to transport users and, at the same time, verifying the alignment of the specific metering data for the transport service to the aggregate metering data use for the purposes of dispatching, and with the reference database.

Specifically, the Authority established that distribution companies must send the Integrated IT System, at the same time and parallel to them being made available to transport users, the consumption information relative to the points registered hourly, as well as the aggregate information sent monthly for settlement purposes. On the basis of that established in the resolution, the experiments will be implemented gradually, also in consideration of the time needed for the Integrated IT System Manager to prepare and carry out the technical specifications.

#### **Resolution 653/2014/R/eel – Update of the fees for electricity transmission services, for the year 2015**

With this measure, the Authority provided for the updating of the tariffs for the electricity transmission service for the year 2015. The main changes concern:

- updating of the CTR component, made equal to € 0.719/kWh;
- the inclusion of investment costs related to the Italy - Montenegro cable suffered outside of Italian territory within transmission service remuneration items;
- the payment to Terna, by the Electricity Equalization Fund, of the 2013 revenue additions, including the adjustments on invoicing figures for the 2009-2012 period, for a total amount of € 91,195.592;
- the inclusion within transmission tariffs of revenues for investments in the pilot projects relative to storage systems;
- the inclusion of the additional remuneration for works in progress for investments to develop transport capacity I=3 at 31 December 2013, equal to 2% for 12 years, consequent to exceeding the 70% limit of the overall conventional value of the milestones estimated for the second half of 2013, as part of the incentive mechanism to accelerate investment.

#### **Resolution 658/2014/R/eel – Update of the dispatching fees for the year 2015**

With this resolution, the Authority updated the dispatching fees for the year 2015. Specifically, in addition to updating the unit fees that dispatching users must pay as remuneration for production capacity, remuneration of the load interruptibility service, units essential to the security of the electricity system authorised to reintegrate costs, adhesion to mechanisms that compensate for costs correlated with the transport of electricity on foreign electricity grids (ITC), the Authority also updated the amount of the fee to cover the costs paid for Terna's operations (DIS) to € 0.0439/kWh.

#### **Resolution 11/2015/R/eel – Launch of a procedure for defining the remuneration of the high and extra high voltage electricity grids owned by the company Ferrovie dello Stato italiane S.p.A. to be included in the national transmission grid**

With this resolution, the Authority began the process to define remuneration for electricity transmission assets owned by the company Ferrovie dello Stato Italiane S.p.A. (FSI S.p.A.) to be included within the National Transmission Grid, pursuant to article 1, paragraph 193, of Italian law no. 190 of 23 December 2014 (2015 Stability Law), taking into account the constraints introduced in the law, the potential benefits for the electricity system and in line with the tariff regulation criteria indicated in the TIT (attachment A to Resolution ARG/elt 199/11).

For the purposes of analysing and verifying the data and information provided by FSI S.p.A., the resolution, in addition to providing for the establishment of an independent commission of experts, also envisaged that Terna carry out specific assessments regarding the potential net benefits for the national electricity system deriving from including the FSI grids in the NTG, and that it send the results to the Authority.

## Other information

Further information required by specific legal or sector regulations is presented below.

### Treasury shares

The Parent Company does not hold any treasury shares or shares of Cassa Depositi e Prestiti S.p.A. or CDP Reti S.p.A., nor has it acquired or sold any during the year, either directly or indirectly.

### Related-party transactions

Considering that the Terna Group has been subject to de facto control by Cassa Depositi e Prestiti S.p.A. since 2007, the related-party transactions carried out by the Terna Group during 2014 included not only those with the associates and the employee pension funds (Fondenel and Fopen), but also those with Cassa Depositi e Prestiti, CDP Reti S.p.A. and the companies directly or indirectly controlled by the Ministry for the Economy and Finance.

Related party transactions carried out in 2014 consisted substantially of services under the scope of ordinary business and settled at market terms, as is described in greater detail in the Consolidated and Separate Statements at 31 December 2014<sup>73</sup>.

The Parent Company's governance rules ensure that these transactions are carried out in compliance with the criteria of procedural and substantial correctness, with the same terms that would apply to independent counterparties and in accordance with the rules on the transparency of disclosures to the market.

We can note that, during 2014, no significant transactions, that is to say related party transactions identified in compliance with the provisions of Appendix 3 to the "Regulation containing rules on related-party transactions" (adopted with CONSOB Resolution No. 17221 of 12 March 2010, as amended with Consob Resolution No. 17389 of 23 June 2010), were carried out, nor were transactions subject to compulsory disclosures but concluded applying the exclusion established by the Regulation, insofar as they were "*transactions coming under the scope of the ordinary business of the Company's continuing operations or those of its subsidiaries or associates or financial activities related thereto, provided that they were concluded at conditions equivalent to market or standard terms*".

### Information on ownership structures

Information required under Art. 123-bis "Report on Corporate Governance and ownership structures" of the "Consolidated Law on Financial Intermediation" (Italian Legislative Decree No. 58 of 24 February 1998), is presented in a separate report (Annex – Report on corporate governance and ownership structures), approved by the administrative body and published with this Report on Operations, which is available on the website of Terna S.p.A. ([www.terna.it](http://www.terna.it) in the section "Investor Relations/Corporate Governance/Corporate Governance System/Report on Corporate Governance and Ownership Structures" approved by the Terna Board of Directors and published jointly with Terna and the Terna Group's Annual Financial Report).

### Certifications in accordance with Article 2.6.2 of the Italian Stock Exchange Regulation with regard to the conditions pursuant to Articles 36 and 37 of the CONSOB Market Regulation (No. 16191/2007)

With regard to the provisions of Article 36 of the CONSOB Markets Regulation (No. 16191/2007 as subsequently amended), Terna S.p.A. does not hold any significant controlling interests under the terms of the aforementioned legislation in companies incorporated in and regulated by the laws of non-member countries of the European Union.

With regard to the provisions of Article 37 of said CONSOB Regulation, Terna S.p.A. is subject to the de facto control of Cassa Depositi e Prestiti S.p.A., which – as of 31 December 2013 – held an equity interest amounting to 29.851% in the share capital, according to that verified by Cassa Depositi e Prestiti and disclosed on 19 April 2007. At present, no management or coordination has been formalised or exercised; Terna S.p.A. goes about its business directly or through its subsidiaries with independent management and trading.

### Participation in the legislative simplification process pursuant to CONSOB Resolution 18079 of 20 January 2012

Pursuant to Art. 3 of CONSOB Resolution No. 18079 of 20 January 2012, Terna has decided to adopt the simplified system contemplated by Arts. 70, paragraph 8, and 71, paragraph 1-bis, of CONSOB Regulation No. 11971 of 14 May 1999 and subsequent amendments (CONSOB Issuers' Regulation), thereby availing itself of the right to waive the requirements to publish disclosure documents prescribed on the occasion of significant mergers, de-mergers, capital increases by contribution of non-cash assets, acquisitions and sales.

(73) Transactions with members of the Board of Statutory Auditors of the Parent Company, and in particular their fees, are detailed in the comments on the "Services" item in the Notes to the Consolidated Financial Statements and Annual Financial Report at 31 December 2014, to which reference should be made. In addition, implementing CONSOB Resolution No. 18049 of 23 December 2011 in force since 31 December 2011, the disclosure on fees paid to "*members of the administrative and auditing bodies, general managers*", and on equity interests held by the same, is included in the annual remuneration report published in accordance with the law.

## ANNEXES - Section “Organisation, reference scenario and business”

### Evolution of the National Transmission Grid (NTG)

#### Number of plants – Terna S.p.A.

The number of plants belonging to the company Terna S.p.A. as at 31 December 2014, compared to the situation as at 31 December 2013, is shown in the following table:

	Terna S.p.A.		
	31.12.2014	31.12.2013	Change
<b>Stations</b>	462	456	+ 6
<b>Transformers</b>	659 + 140,563 MVA	649 138,399MVA	+ 10 + 2,165 MVA
<b>Bays</b>	5,084	5,022	+ 62
<b>Lines</b>	41,398 km	41,064 km	+ 334 km
<b>Three-phase lines</b>	2,396 46,345 km	2,374 46,039 km	+ 22 + 306 km

Km and MVA are calculated to 3 decimal places and rounded to the unit.

#### Stations

With regard to the stations, the following variations are noted:

##### 1) of entire plants:

- activation of the new 380 transformer station in Scilla (7 x 380kV bays and 10 x 150kV bays);
- activation of the new transformer station in Avellino Nord (4 x 380kV bays and 4 x 150kV bays);
- activation of the new 380 transformer station in Rotello (4 x 380kV bays and 2 x 150kV bays);
- activation of the new switching (future transformer) station in Fontelupo (4 bays at 220 kV);
- activation of the new transformer station in Pisticci, reconstructed on the site of the pre-existing system (1 x 220 kV bays and 3 x 150kV bays);
- activation of the new transformer station in Musocco (5 bays at 150 kV);
- activation of the new switching station in Camerelle (4 bays at 150 kV);
- activation of the new switching station in Flumeri (3 bays at 150 kV);
- acquisition from Sorgenia S.p.A. of the 380 Termoli station (1 bay at 380 kV);
- declassification from 220 kV to 150 kV of the switching station in Villa Castelli (4 bays);
- decommissioning of the 220 switching station in San Giacomo (7 x 220 kV bays);
- decommissioning of the switching station in Santa Massenza (220 kV);
- decommissioning of the 150 switching station in Scilla (7 x 150 kV bays).

##### 2) of existing plants:

- activation of 31 new line bays in the stations of Rizziconi and Sincrono Codrongianos (2 bays at 380 kV each), Pellerina (3 bays at 220 kV), Taio (2 bays at 220 kV), Santa Massenza Switching and Ragusa (1 bay at 220 kV each), Bari Termica (3 bays at 150 kV), Taranto Nord (2 bays at 150 kV), Foggia, Manfredonia, Rotonda and Sortino (1 bay at 150 kV each), Genova Termica (5 bays at 132 kV), Rosara 2 (3 bays at 132 kV), Cagno, Ossana and Marginone (1 bay at 132 kV each);
- activation of 24 new machine and/or power factor correction bays in the stations of Baggio (1 bay at 380 kV and 1 bay at 220 kV), Foggia, Galatina and Erchie (1 bay at 380 kV and 1 bay at 150 kV, each), Piossasco, Vignole Borbera, Planais, Udine West, Marginone, Villanova and Teramo (1 bay at 380 kV each), Ospiate and Cattolica Eraclea (1 bay at 220 kV each), Ginestra (2 bays at 150 kV), Ciminna (1 bay at 150 kV), Ponte, Stazzona, Rubiera and Rosara 2 (1 bay at 132 kV each);
- activation of 10 new parallel and/or connector bays in the stations of Villanova (1 bay at 380 kV), Taio (1 bay at 220 kV and 1 bay at 132 kV), Foggia (2 bays at 150 kV), Genova Termica and Rubiera (2 bays at 132 kV each) and Suvereto (1 bay at 132 kV);