





## The situation regarding risks and opportunities for the Terna Group

Compliance with concession requirements is a precondition of Terna's business. For this reason, the operating risks related to management of the grid - risks of disruption - have always been handled with the utmost care and constantly updated methods and techniques are employed. Regarding transmission activities, Terna's monopoly position reduces market risks; the regulatory framework determines the scope of risks and opportunities. Other risks - e.g. financial risks - are identified and continually monitored and managed. The identification of business opportunities in non-traditional spheres is also part of the corporate strategy and takes into consideration important trends of the sector, such as the increase in production from renewable sources.

More generally, contextual risks and opportunities emerge from Terna's relations with stakeholders. In this context, respect for the environment and local communities impacts Terna's ability to make the investments provided for in the Development Plan, as detailed below.

### Communication with the community

The community and communication are fundamental issues for Terna, with acceptance from the local community being essential. Beyond relationships with institutions, which are already based on solutions agreed in advance, increasing the degree of acceptance of electricity infrastructure in the communities involved is a very important goal, as exemplified by the disputes discussed below. With respect to this objective, involvement and communication play an important role, as do local institutions and regional associations representing civil society.

With regard to electromagnetic fields, Terna's commitment is expressed by its scrupulous compliance with Italian law, which is among the strictest internationally. Considering the sensitivity of public opinion surrounding the issue, Terna pays constant attention to advances in scientific research on electromagnetic fields to assess any risks connected with its work and will continue providing the public with accurate information on the matter.

### Consultation with local administrations

Terna's approach to local areas, which is especially important when new lines must be constructed, consists of a voluntary process of prior engagement with local institutions (regional and local administrations, park authorities, etc.). This process involves the sharing of NTG development needs with local institutions, a willingness to listen to stakeholder opinions and the search for a shared solution regarding the positioning of new infrastructures and the reorganisation of existing ones. To facilitate acceptance of electricity infrastructure by local communities, Terna, in fact, considers it fundamental to hold discussions with local administrations as early as possible, right from the moment in which the need for a new NTG development project is recognised. In this way, the conditions are created in which to develop and "build" the grid together, thus making it more sustainable and acceptable.

Terna's approach to local areas envisages a voluntary pre-authorisation procedure illustrated in detail in the chapter on extending the grid, which should be consulted for further information.

In 2014, 181 meetings were held with local administrations, involving around one hundred bodies.

In this context, in cases which may involve local opposition, Terna is willing to examine the situation and find alternative solutions, including ones which are technically more complex than those originally identified, provided that they are compatible with the general interest of the electricity service in terms of security, efficiency and cost-effectiveness.

### Risks and uncertainties facing Terna and the Group

Terna has always paid careful attention to the prevention of risks of all kinds that could affect or limit the company's results within the two years subsequent to the ending of the financial year. This paragraph aims to provide a clearer, more complete representation of these risks which are summarised along with the uncertainties to which the Company is exposed, and which, besides, are already known to the market and shareholders, considering their presentation in the financial statements and financial prospectuses previously published.

## Regulatory risk

In 2014, over 93% of the revenues received by the Terna Group derived from activities regulated by the Authority for Electricity, Gas and Water (hereinafter, AEEGSI).

With Resolutions 199/11 and 204/11 (as subsequently updated), the AEEGSI set out the tariff framework for transmission and dispatching services for the regulatory period 2012-2015, as well as the rules for the annual update of the relative unit costs (within the same regulatory period).

In 2015, the unit costs of the transmission and dispatching fees were respectively updated by AEEGSI resolutions 653/14 and 658/14.

In resolution 197/11 (and relative subsequent amendments) the AEEGSI also established how the quality of the transmission service should be regulated for the same regulatory period (2012-2015).

With particular reference to RAB (Regulatory Asset Base) remuneration relative to transmission and dispatching activities, resolution 199/11, article 2, provides for the updating by 30 November 2013 of the remuneration rate of invested capital for the period 1 January 2014 - 31 December 2015 on the basis of the average value of 10-year BTPs recorded in the period November 2012 - October 2013.

In implementing such provision, Resolution 607/13 updated the rate of return in question to 6.3% compared to the previous value of 7.4%) to be applied starting from the 2014 tariffs.

With Resolution 483/2014/R/eel, AEEGSI began the procedure to develop provisions regarding tariffs and quality of electricity transmission, distribution and metering services, as well as the technical/economic conditions for the provision of the connection service for the regulation period that will begin on 1 January 2016. This document was followed by:

- a) Consultation Document 5/2015/R/eel, which provides the general framework and lays down the criteria at the base of the main lines of action that the Authority intends to develop during the procedure;
- b) Consultation Document 48/2015/R/eel which examines in more depth from a technical point of view the lines of action contained in Consultation Document 5/2015/R/eel on the subject of regulating electricity transmission, distribution and measurement service quality for the fifth regulation period.

With Resolution 597/2014/R/com, AEEGSI also began the parallel procedure for the adoption of the provisions regarding methodology and criteria for the determination and updating of the remuneration rate for capital invested in the electrical and gas sectors. These provisions will also take effect on 1 January 2016.

During 2015, it is expected that the two above procedures will be completed through public consultation processes in which Terna will be involved.

### • *Volume effect*

The unit costs for transmission and dispatching services are determined annually on the basis of the recognised costs of the aforesaid activities and of the respective physical quantities forecast (forecast of electricity transported on the NTG and of electricity dispatched). During the year Terna issues its invoices on the basis of the aforesaid fees and effective volumes of electricity respectively transmitted and dispatched. The effective volumes (and thus the potential difference between the effective volumes and forecast volumes used to calculate the unit tariff) depend on factors outside the Group's control and Group revenue may thus prove higher or lower than expected on account of this "volume effect".

With the Resolutions 199/11, 204/11, 565/2012 and 607/13, the volume mitigation mechanism introduced by the earlier Resolution 188/08 was confirmed for the IV regulatory period (2012-2015). This states that any impact on Group revenues caused by possible variations in electricity volumes withdrawn from the transmission grid and dispatched, would be limited to a range of +/- 0.5%.

In consultation document 5/2015/R/eel, AEEGSI indicated its intention to assess the possibility of introducing regulatory "menus" to be offered to operators which foresee solutions with a lower volume risk and a consequent reduction in remuneration, as well as solutions with higher volume risk for the grid manager which offer higher remuneration levels.

### • *Quality of transmission service*

#### ***Premiums and penalties for energy not delivered***

Quality regulation of the transmission service provides for a mechanism of bonuses/penalties which takes into consideration solely the energy-not-delivered indicator. The maximum potential impact for the Terna Group deriving from this incentive mechanism lies within a range of € -12/+30 million per year.

### **Services provided by distribution companies – Mitigation**

In some specific types of power outage, in which the electricity supply from the RTN to EHV/MV or HV/MV transformation plants directly connected to the NTG is temporarily interrupted, the distributor companies can mitigate the difficulties for users connected to their grid counter-supplying these plants from MV grids and/or by inserting mobile generator units. These services, aimed at continuity of the electricity supply, give the distributors the right to receive a fee, paid by Terna, calculated according to the counter-supplied (mitigated) energy.

The amounts related to mitigation services are subject to a maximum limit per single outage and, in certain circumstances, to specific deduction mechanisms. The annual amount paid by Terna for mitigation is also subject to a maximum limit of € 18 million (as regards any payments to distribution companies exceeding the annual limit, Terna may make a supplementary request to the Authority using the dedicated “Electricity services quality account”).

### **Sharing of the penalties/refunds paid by the distribution companies to customers connected to the MV and LV distribution grids**

The regulation provides mechanisms on the basis of which Terna may be called to “share” the penalties/refunds paid by the distribution companies to end customers connected to their grids (MV/LV) when outages exceeding the specific standards established by the Authority are identified, up to a maximum annual limit of € 70 million.

In specific cases or for the portion of refunds exceeding the maximum annual limit, Terna may request the refund of the excess from the “Exceptional Events Fund”.

The referenced consultation document 48/2015/R/eel also examines some possible changes to the regulations for the quality of the transmission service, but at present it would be premature to make any assessments of the potential impact these changes could have.

## **Domestic and European legislative risk**

### **• Tax laws**

Tax legislation may affect the Group’s economic and financial results.

### **• Laws on environmental protection**

The Group’s activities are affected by the generation of environmental legislation at the national, European and international levels (e.g. electromagnetic fields, landscape, etc.), and also, in the case of international activities, by laws expressed in the legal systems of foreign countries. Infrastructure investment projects must be subjected to the administrations responsible for the environment for examination and respect the instructions issued by the same. Amendments to the legislation in effect are expected to occur to implement EU Directive 2014/52, regarding environmental impact assessments. The Italian legislative provisions must be adjusted by 16 May 2017. The Group may incur additional costs due to the implementation of environmental regulations calling for preventive measures or requirements defined on the basis of regulations.

### **• Laws on energy**

The Group’s activities may be affected by changes in national and European legislation governing the electricity market, strategic infrastructures, the authorisation process for National Transmission Grid works, the sphere of activities which Terna may perform or regulatory changes which affect relations between the Group companies and other stakeholders (producers, distributors, etc.).

At the European level, initiatives to implement the new European strategy regarding the Energy Union are currently being defined, including the action plan to achieve the 10% interconnection objective by 2020. As a consequence of these initiatives, a series of European legislative proposals are expected in 2015/2016 regarding the design of a European electricity market.

### **• Employment and contract laws**

As regards electromagnetic fields, Directive 2013/35/EU has been adopted on the exposure of workers to risks from electromagnetic fields, and should be transposed by 1 July 2016 into the national legal system. In addition, new European Directives have recently been adopted in regards to tenders (see for the special sectors Directive 2014/25/EU), to which Italy must conform by April 2016. In general, more onerous rules governing contracts and health and safety in the workplace might have an adverse effect on the Group’s economic/financial performance.

### Operational risks: risks connected with NTG malfunction

In the context of the Terna Group's operations, risks of unexpected service interruptions caused by external events that are beyond Terna's control are calculated. These may include accidents, defects or breakdowns involving control systems or other equipment, deteriorating plant performance, natural disasters, terrorist attacks and other extraordinary events of this kind. Besides the economic risk associated with repairs to the sections of the NTG owned by the Group, possible claims for compensation by third parties as a result of such events could arise if the Group is found to be responsible.

Specifically, in regards to employee injury risks, our company, which is certified BS OHSAS 18001, uses the BS 18004:2008 methodology, with the adoption of an estimate matrix which, in addition to qualitative assessments, also includes a quantitative assessment, based on frequency and consolidation of national injury statistics over the last 15 years.

In addition, each Production Unit prepares and annually updates an "Safety and Environment Improvement Plan", which contribute to guaranteeing continuous monitoring with the goal of managing the residual risk which is an integral part of the Risk Assessment Document.

Additionally, employee injuries are analysed through assessment of the gravity and frequency indexes foreseen in the UNI 7249 regulation which, specifically, after verifying the individual causes and situations in which the injuries occurred, foresees the activation of specific analytical commissions for the most serious cases.

Finally, data relative to injuries at contractors are also gathered and monitored annually and reported, together with the above indexes, in the sustainability report published each year.

Specific insurance cover has been arranged to mitigate the effect of operational risks.

### Litigation risk: legal disputes

The Terna Group companies are involved in a certain number of disputes, both as plaintiffs and defendants and both in and out of court. They derive from the normal performance of business activities and relate to environmental and health protection issues, provisions related to regulated activities, the construction of new plants and the operating of existing ones, management of employment contracts with employees, the projects and services assigned to third parties, and relationships with the public administration and public organisations.

It is likely that in the future the Group may again be involved in new disputes of the types indicated above.

Regarding this matter, please see the sections "Commitments and risks" of the Notes to the Financial Statements of Terna S.p.A. and of the Terna Group.

### Market and financial risks

In carrying out its operations, the Group is exposed to various financial risks: market risk (interest-rate risk and inflation risk), liquidity risk and credit risk.

In its financial risk management policies approved by the Board of Directors, the Terna Group has defined responsibilities and operational procedures for financial risk management activities, making specific reference to the tools to be used and setting clear operating limits for their management.

Terna's risk management policies seek to identify and analyse the risks the Company is exposed to, establishing appropriate limits and controls and monitoring risks and compliance with such limits. These policies and related systems are reviewed on a regular basis in order to reflect any changes in market conditions and the activities of the Group.

This matter is discussed in more depth in paragraph E. "Commitments and risks" of the Notes to the Financial Statements of Terna S.p.A. and of the Terna Group.

### Risks connected with financing needs

Even under current market conditions, the Group expects to maintain sufficient capacity to generate financial resources from its operating activities. However, the plan for future investments in the next two years is expected to lead to an increase in existing net debt. In relation to the condition of the financial markets, the need to finance and refinance the existing debt could determine, in the medium term, an increase in financial expenses and also entail higher risks for the Group in refinancing the maturing debt.

## Risk of non-regulated activities

A significant component of non-regulated activities is related to market opportunities for the design, implementation and management of high-voltage plants which serve in connecting production from renewable sources in Italy or abroad. Consequently, any changes to the legislative or regulatory framework of reference for non-regulated activities may make investment in this sector less attractive and, consequently, lead to a reduction of market opportunities for Terna's non-regulated activities.

In addition, in the context of non-regulated activities, following acquisition of the Tamini Group, we can note the risk typical of industrial business, with reference in particular to the credibility, solvency and country risk of counterparties, as well as product warranty risks, although these are estimated with appropriate provisions.

## Climate change risks

Terna, as a utility company, transmits electricity as its core business. It is not involved in any way in the generation of electricity and thus is not subject to any obligation to reduce emissions or to any emission-trading schemes.

At present, there are no fiscal (e.g. a carbon tax) or regulatory measures (e.g. emission-reduction targets, inclusion in emission-trading schemes) which have direct consequences on Terna's business and financial performance.

Terna's management has identified potential, albeit remote, risks connected with global warming and the reactions it might provoke within governments and in consumer habits.

Areas of overlap with Terna's work are as follows:

- the task of maintaining a balance between the input and withdrawal of electricity to/from the grid becomes more difficult when weather conditions are extreme. Examples of this include during water shortages and in extreme heat or freezing conditions. The probability of critical situations increases, which can result in the temporary disconnection of users in certain areas of the country. This consequently draws the attention of the public authorities and the mass media towards Terna; In this regard Terna is carrying out research initiatives in two directions. The first is oriented to increasing knowledge of the potential consequences of extreme weather scenarios – in line with the IPCC (Intergovernmental Panel on Climate Change) data – on grid infrastructure and on transmission operations; the second is aimed at developing technological solutions for securing the service in specific adverse weather conditions;
- concern over climate change could lead to a reduction in the elasticity of energy demand to GDP growth. Research into greater energy efficiency has already altered the traditional relationship between economic growth and demand for electricity. This trend could also result in lower growth in the demand for electricity than currently seen, under equal conditions. The current regulations provide for a mechanism of partial sterilisation of the volume effect, with an excess of  $\pm 0.5\%$  on the volumes of energy transported (see also the paragraph "Regulatory context");
- the increase in the production of energy from renewable sources poses various challenges for Terna in relation to the need to plan and implement investments to resolve grid congestion problems and for efficient and safe management of non-programmable production. Furthermore, intermittent production (in particular wind production) makes dispatching more difficult, increasing the need for power reserves and regulation.

## Risk protection

Terna operates as legal monopoly on the basis of a government concession for the transmission and dispatching activity. This particular context which transforms some market risks into regulatory risks, influences our approach to risk management.

Terna also performs activities of a general and essential nature for the functioning of the electricity system. For this reason the risks involved are often systemic (e.g. outages, increased costs for the community).

For all these reasons the type of risks managed by Terna is partially defined by the AEEGSI.

With regard to reputational risk, across all of the Group's activities, protection is guaranteed and strengthened by a sustainable approach to business. This begins with the premise that is necessary to adhere to the law and it therefore considers all potential environmental and social consequences in order to prevent and mitigate the effects of such risks. Lastly, Terna constantly monitors risks associated with aspects of sustainability which may have a negative impact on its reputation and its intangible value, through ratings analyses by the main agencies which periodically produce sustainability assessments (such as RobecoSAM, Vigeo and Eiris).

## Governance

Terna represents a part of the country's "critical infrastructure", and assesses and analyses possible risk scenarios, paying particular attention to operational risks in order to reduce service disruption and damage to the health of staff in the workplace, as well as to optimise business processes.

The corporate governance model adopted by Terna aims to create value for the shareholders, while reflecting awareness of the social significance of the Group's work and the need to appropriately consider all the interests involved, and, bearing in mind, as CONSOB itself states, that "good corporate governance can trigger a virtuous circle in terms of corporate efficiency and integrity, such as to positively reflect on other stakeholders too".

## Hierarchical structure

### Corporate governance

Terna S.p.A.'s governance structure is based on the traditional administrative and control model, and is compliant with the provisions of Italian law on listed companies. Terna has adhered to the Corporate Governance Code of the listed companies published by the Corporate Governance Committee promoted by ABI, ANIA, Assonime, Assogestioni, Borsa Italiana and Confindustria, as issued in December 2011 and updated in July 2014 (available on the Borsa Italiana S.p.A. website <http://www.borsaitaliana.it>) and, according to the adjustment timetable set out by the transitional provision, has approved and implemented the revisions of the Corporate Governance system to observe the commitments set out by the Code<sup>32</sup>.

### Chairwoman of the Board of Directors

The Chairwoman is vested by the articles of association with the powers to represent the Company legally and to sign on its behalf. She presides over shareholders' meetings, convenes and presides over the Board of Directors, and ascertains that the Board's Resolutions are carried out; he/she also detains all the powers attributed to him/her by law and by the Corporate Governance Code which the Company has adopted<sup>33</sup>. The Chairwoman Catia Bastioli has been given the institutional responsibility of representing the company, guiding and directing the work of the Board and assuming the promotional and advisory role of CSR (corporate social responsibility), as well as overseeing activities related to participation in the company CESI - Centro Elettrotecnico Sperimentale Italiano Giacinto Motta S.p.A., in coordination with the Chief Executive Officer.

### CEO

The Chief Executive Officer is also vested, by the articles of association, with the powers to represent the Company legally and to sign on its behalf, and in addition is vested, by a Board Resolution, with all powers for managing the Company, with the exception of those that are otherwise assigned by law or by the articles of association or reserved for the Board of Directors<sup>34</sup>.

### Board of Directors

The Board is vested by the articles of association with the broadest powers for the ordinary and extraordinary management of the Company, and, specifically, has the power to carry out all the actions it deems advisable to implement and attain the corporate purpose, with the sole exception of actions reserved for the shareholders by law and by the articles of association<sup>35</sup>.

### Committees within the Board

In particular, the **Remuneration Committee** and the **Audit, Risk and Corporate Governance Committee** and the **Appointments Committee**, all with proactive and advisory functions and composed of at least three administrators, as provided for by the Corporate Governance Code, are present within the Board of Directors<sup>34</sup>.

The criteria adopted relative to the composition, duties and responsibilities of said Committees have been identified in line with the relevant Corporate Governance Code which Terna has adopted, and the methods for holding meetings are governed by the internal ad hoc Organisational Regulations adopted by the Board of Directors.

The Remuneration Committee, the Appointments Committee and the Audit, Risk and Corporate Governance Committee are all composed of solely independent Directors.

(32) Further details on governance structure and hierarchy are given in the "Report on corporate governance and ownership structures", approved by the administrative body, published jointly with the Terna and Terna Group Annual Financial Report.

(33) For further details see section IV of the "Report on corporate governance and ownership structures", published jointly with the Terna and Terna Group Annual Financial Report.

(34) For further details see sections VI, VII, VIII and X of the "Report on corporate governance and ownership structures", published together with the Terna and Terna Group Annual Report.

(35) For further details see sections I and IV of the "Report on corporate governance and ownership structures", published jointly with the Terna and Terna Group Annual Financial Report.

(36) For further details see sections VI and XII of the "Report on corporate governance and ownership structures", published jointly with the Terna and Terna Group Annual Financial Report.

The composition of such Committees complies with the provisions of the Corporate Governance Code. Also within the Board of Directors, the **Transactions with Related Parties Committee** was set up as the body performing the role required by the “Regulation containing provisions concerning transactions with related parties” issued by CONSOB in March 2010 and having investigative, proactive and advisory duties and powers<sup>36</sup>. In particular, the **Audit, Risk and Corporate Governance Committee**, which is assigned the responsibilities provided in the Corporate Governance Code to which Terna adheres, has responsibilities to offer consulting and proposals to support the Board in assessments and decisions regarding the internal audit and risk management system and in periodically verifying its adequacy with respect to the characteristics of the business and its risk profile, as well as its effectiveness. Corporate policy on the internal audit system also establishes a direct relationship between the Audit, Risk and Corporate Governance Committee and the Chief Risk Officer (CRO). The Chief Risk Officer (CRO) – appointed in May 2013 by the Director in charge of the Internal Audit and Risk Management System, after consultation with the Audit, Risk and Corporate Governance Committee – is responsible for supporting senior management in their handling of the Risk Management process at the Group level effectively, with respect to all financial, operational, business and other risks. Terna carries out this process by using the Enterprise Risk Management (ERM) methodology, in accordance with sector best practices. As part of the integrated and systematic risk management which distinguishes it, Terna adopts structural management tools and prevention measures in line with its own Risk Management rationale.

## The Code of Ethics

The Code of Ethics - approved by the Board of Directors on 21 December 2006 - is the highest reference point for identifying sustainability issues relevant to Terna and for defining internal policies and guidelines. It can be used as a concrete guide in decisions, helping to achieve the objective of establishing and consolidating trust with stakeholders. One of the commitments expressed in the Code is to provide evidence in the Sustainability Report each year of the implementation of the Company’s environmental and social policy, as well as the consistency between the objectives and results achieved.

## The Global Compact

When it joined the Global Compact (2009), the United Nations’ multi-stakeholder network, Terna further cemented its commitment to observing the ten principles of the Global Compact on human rights, employment, the environment and preventing corruption. These principles were already set out in Terna’s Code of Ethics as a benchmark for the company’s corporate responsibility and sustainability initiatives.

## Risk management systems and instruments

Continuous awareness of risk and actions to contain it, in the various forms in which it can arise for “critical infrastructure” of national and European importance that Terna represents, are the core activities for the organisational structures within the Security Services Department (SIS) which are responsible for safety, working within a broad area that ranges from the safety of individuals, to that of “processes”, and that of the Group’s tangible and intangible assets. During 2014, these SIS structures maintained direct supervision of all the risk scenarios that weigh on the company’s activities and assets, in particular those which involve the health and safety of employees in the workplace and with operating risk scenarios, especially those which could more realistically and frequently arise in the Terna situation, focussing on given safety objectives aimed at resilience and operational continuity.

## Risk Management for operating processes

In 2014 a risk assessment was carried out on the following processes, in accordance with the new ERM model:

- Dispatching and operating services: which has the objective of managing the physical flows of energy, maintaining balance between energy input and consumption, while respecting the principles of safety, reliability, quality, continuity and cost-effectiveness for the service, as well as impartiality and neutrality to ensure equal treatment for all users of the grid.
- Grid Code: aimed at studying and analysing the reference regulatory situation and analysing the operational impacts with consequent updates of the Grid Code.
- Contract management: to manage contracts with operators on the electricity market.

- Settlement: for adjustment of physical and economic items with electricity market operators, in compliance with changes in the regulatory situation.

For all the activities that make up the cited company processes, objectives have been determined and the inherent risks, existing controls and residual risks have been identified.

The Risk Assessment for these processes indicated an understanding of the company risk factors, and for the largest of these, the necessary actions to contain them have been identified.

### Security Operations Centre (SOC)

Terna's Security Operations Centre (SOC) acts as a single structure for centralised control and coordination of integrated security, both through systems that monitor the Group's digital systems and networks, and through equipment that physically supervises its electrical substations.

The SOC consists of a modern control room located in a protected area, with staff present 24 hours a day, every day of the year, who are specialised and able to monitor and manage all the technological infrastructure installed to supervise Terna's digital and physical assets.

The objective is to protect the electrical stations from accidental events, but above all from intentional malicious actions, and avoid or contain events that could compromise the operation of the National Electricity System.

The substation monitoring plan aims at covering all the substations listed in the national security plan. Currently, the monitoring system consists of video surveillance systems installed in 157 substations, according to risk priority criteria, with a projected installation plan to install new systems in more NTG substations.

The Physical Security Integrated System (PSIS) represents highly structured and sophisticated infrastructure, based on diversified technology aimed at preventing intrusion of the substations, and able to process events and present them on a single central work station located in the SOC and managed by the operator on duty. Specifically, the PSIS makes it possible to remotely monitor and manage complex perimeter security systems and detailed on site video surveillance systems, thanks to software applications used to centralise alarm signals.

The Terna Security Operations Center is also a cutting edge center for the prevention of digital incidents, thanks to constant and pervasive monitoring of events coming from external platforms.

This activity, carried out through next generation IT tools, is supported by a structured process aimed at quickly identifying and containing security incidents, minimising information loss and working to restore any involved services. In addition, the SOC has responsibility for measuring the risk to which company assets and the information contained in them are exposed.

With reference to 2014, the activities regarded also management of the service to counter the phenomenon of unwanted electronic mail (so-called Antispam Service), issuing and managing the life cycle of digital certificates and certified email address (serving as the Registration Office), and issuing bulletins to increase awareness of digital security (periodic Security Bulletins).

### Integrated Management System

Activities done to supervise the corporate management system have the main goal of guaranteeing that systems are effective and efficient, while identifying any potential risks in the areas observed and implementing any necessary mitigation actions. The main stages of the management system supervision process are:

- creating new management systems and, if held to be desirable, requesting certification or accreditation;
- supervising and updating existing corporate management systems;
- implanting internal checks on corporate management systems;
- reviewing the management systems;
- preparing organisational structures for inspections by certification and/or accreditation organisations.

In January 2014, new certificates were released relative to the "Quality, Environment and Occupational Health and Safety Management Systems" for the companies in the Terna Group, extended also to the subsidiaries Terna Cma Gora and Terna Storage which, having become part of the systems adopted by the Parent Company, are subject to internal and external inspections.

In February 2014, following accreditation checks carried out by the multi-site Test Laboratory, the Terna Group became the reference point for the High Voltage energy sector at both the national and European level, as the sole subject accredited to issue certifications in regards to tests carried out on LLW (live-line working) equipment.

The activities of the testing laboratory for live work equipment have been accredited by the national external agency Accredia, guaranteeing ever greater controls and reliability.

During 2014, the documentation supporting the activities of Calibration Centre activities in Florence, Turin and Cagliari was also prepared and the accreditation process was begun, in accordance with the ISO/IEC 17025 standard, which is necessary to carry out metrological tests on active electrical energy meters and on electricity measurement systems used to determine energy flows for tax purposes, as foreseen by the Customs Agency.

This accreditation, in addition to rendering the tests valid for fiscal purposes, will also make the metrological testing process even more reliable and secure, as it will be structured in accordance with the best practices established under the regulations and subject to the controls envisaged by the same.

During 2014, finally, a management system for the prevention of serious accidents was implemented, in compliance with the indications of Italian Legislative Decree 344/99 (Seveso Directive). This system is obligatory, as the Terna Group, specifically Terna Storage, controls and works within their own sites where energy storage systems will be installed that fall under the Seveso Directive.

## Physical security and emergency management

In 2014, a slight decrease was seen in the total number of criminal events, in comparison to 2013.

During 2014, new security intelligence activities were begun. These consist of continuous Open Source INTelligence (OSINT) monitoring of all the open information relating to the activities and interests of the Terna Group, both in Italy and abroad.

All the information is read and assessed if pertinent. Then certain informational services are produced for management and top executives.

Security intelligence activities provide informational support for activities to increase security done in the context of various Group initiatives, with particular reference to the most critical construction sites and on-site engineering work.

Communication between Terna and the Security Information Department (SID) continues to be very active. In 2014, Terna cooperated with it to manage threats aimed at critical infrastructure.

Terna participated at meetings with the SID for the launch of the program to protect critical infrastructure, with both Physical Security and Information Security present, the latter focusing on cyber threats.

In view of EXPO 2015, which will be in Milan the coming year, Terna took part in the activities and work groups launched by the Milan Prefecture with the objective of creating a Security and Public Order System, as well as Civil Defence. Specifically the aim is to prevent security problems during the EXPO, as well as to draw up preparation and management plans for any emergencies, and to plan beforehand all the technical and organisational solutions that will make it possible to manage the high influx of people to the Greater Milan area and, finally, to create a network of organisations (institutional, critical infrastructure, etc.) which will coordinate their work for the entire period, both for ordinary operations and to manage extraordinary, critical or emergency events, including special crisis offices created for the EXPO.

## Qualification of plants

The GAUDI system (Unique Plants Data Management), established by AEEGSI with Resolution 124/10, is the system that supports integrated management of the plants and production units, both primary and secondary. The system came into force in the initial version in January 2011 and became fully operative in March 2012.

During 2014, the process to align databases with both the GSE and distributors was completed. At the end of 2014, there were over 660,000 qualified plants in the system.

In addition, other modules were developed using the GAUDI platform: GEDI (Distributed Generation) and SSPC (Simple Production and Consumption Services).

The **GEDI** module responds to the indications contained in the following AEEGSI resolutions:

- [Resolution 84/2012/R/eel](#) which approved Annex A70 to the Terna Grid Code and defined the minimum requirements which must be satisfied by generation plants distributed in MV and LV, in terms of voltage, frequency and protection.
- [Resolution 421/2014/R/eel](#), which, approving the changes to Annex A72 to the Grid Code, containing the procedure to reduce distributed generation under emergency conditions for the National Electricity System, in compliance with annex M to CEI Regulation 0-16, introduces a new type of plant (known as GDRM) which can be remotely disconnected from the distributing company more quickly. The new regulation takes effect as of 1 September 2015.

For plants in existence as of 31 March 2012, the aforementioned resolutions envisage a gradual retrofitting programme over time by the GSE. This process is managed and monitored by the GEDI module.

The **SSPC** module makes it possible to manage and monitor the Simple Production and Consumption Services qualification process, on the basis of that indicated in Resolution 578/2013/R/eel.

The Simple Production and Consumption Services are *electrical systems*, directly or indirectly connected to the public grid, *within which the transport of electricity* for delivery to the consumption units of which it is composed *is not classified* as transmission and/or distribution, but as *auto-procurement of energy*. They are “simple” systems, in that they generally consist of production plants belonging to the same corporate group, which supply consumption units of one corporate group, which is not necessarily the same as the producer.

Classification of Simple Production and Consumption Services is necessary to properly apply the fees which cover the general charges associated with the system. Specifically, Resolution 609/2014/R/eel, in application of the provisions of Italian Legislative Decree 91/2014, identified the GAUDI system as the information source that distributors must use to invoice the associated general system charges to users which satisfy their consumption requirements with units of electricity self produced in the context of the EES (Efficient Energy Systems) and ESEEEES (Existing System Equivalent to Efficient Energy Systems).

## Supplier qualification

Terna S.p.A. makes use of a *Company Qualification System*, established pursuant to the EU Directives (Italian Legislative Decree 163/2006 “Public contracts code for labour, services and provisions”, as amended), for all the main core areas of supplies, labour and services that Terna itself intends to supervise, established on the basis of the strategic importance, degree of competitiveness and annual volumes supplied

## Fraud Management

During 2014 Terna continued with the activities of Fraud Management whose objective is to guarantee that corporate assets (tangible and intangible resources, direct and upstream benefits) are protected with regard to all illegal events that could compromise them, through activity aimed at preventing and managing corporate fraud.

As part of this prevention, Fraud Management, in order to identify potential internal vulnerabilities and then act to remove them, has developed a reference methodological model based on the systematic analysis of preconditions that can be associated with fraudulent events, identifying “critical areas” in which fraudulent phenomena is more likely and tracing the triggers back to any organisational and operational problems in the processes.

Activities carried out during 2014 including continuous monitoring of processes, verification and management of notifications of criminal activity, and assessing and controlling compliance risk.

In particular, a number of processes were launched and specific preventive policies defined, providing for new governance and control rules and procedures.

## 231 Model monitoring

In 2014, Terna carried out intensive research and analysis in regard to sector regulations and the main legal judgements in regard to corporate liability. Then, following the acquisition of the Tamini Group, the Unit acted to update the Organisational Model of the acquired Group so as to ensure it was appropriate, effective and efficient, as well as in line with Terna’s.

In particular, updates were drafted for the Organisational and Management Model, after the “*Map of Business Areas at Risk for Crimes/Identification and Analysis of Risk Areas*” was prepared, containing the results of the work completed previously to identify and analyse activities at risk of crime in the light of the new legislation.

## Information Security

In 2014 important results were achieved following the introduction of innovations and projects by Information and Communication Technology (ICT) so as to improve the security of the national electricity system and the efficiency of corporate processes.

## Security improvements of the National Electricity System (NES)

During 2014, as regards defence systems, a new “telescato” (remote switch) at Priolo became operational in April. This can optimise the insertion of power on the grid from the production sites of Priolo Gargallo and Anapo. The automation introduced involves the disconnection of one or more units in the event of loss of one of the lines controlled, in order to minimise dangerous overloads of the 220/150 kV grid in the eastern area of the island.

The new SCCT system was extended to ensure adequate operational management of Storage Systems by the control rooms. The introduction of new functions makes it possible to exchange data for proper real-time monitoring, remote control, and management of power programs.

Finally, the Disaster Recovery System (DR) was reinforced. This system is tasked with intervening in the case of unavailability of the systems and/or headquarters of the National Control Centre. The DR perimeter was extended to IT applications for the electricity market, while system automation and procedures necessary to quickly manage events were also improved.

## Improved efficiency of corporate procedures

In 2014, significant changes were introduced to systems for the start-up of the new DSM (Dispatching Services Market) with the aim of rendering the procurement of dispatching resources by Terna more flexible. On one hand, the goal was to improve dispatching of resources to take into account the growing importance of renewable sources, while on the other producers were given the possibility to optimise the resources offered to the market, bringing them more into line with the technical constraints and production costs of their plants.

The procedures envisaged in AEEGSI Resolution 231/2013/R/eel were implemented, to allow all units able to provide the service access, on a voluntary basis, to the mechanism that allows remuneration of the contribution to the primary frequency regulation.

Significant changes were made to the settlement procedures used to calculate energy units affected by regulatory changes. This included adjustment of the procedure used to determine the variable cost paid for essential plants, revising the market macrozones pursuant to Resolution 525/2014/R/eel and adjustment to the non-compliance of the switch-on order, following Resolution 65/2014/R/eel.

In addition, new procedures were developed to assign instant interruptible and emergency resources for 2015-2017, following that provided for in Resolutions 301/2014/R/eel and 566/2014/R/eel, as well as the simultaneous adjustment of the procedures used to calculate the fees to implement that indicated in the regulations.

Finally, the Transparency Report platform was created, which is the new application required under EU Regulation No. 543/2013, obligatory for all TSOs. This regulation requires making a series of data available to the market, including total load, consumption, transmission, electricity generation and congestion management, which can be viewed using the platform managed by ENTSO-E.

## Information security and cyber security

Terna uses a great deal of new technology to support its business activities, and for this reason it uses a structured approach to face the growing threats which menace the Group’s vast quantity of information assets (both tangible and intangible assets, that is data and information both corporate and pertaining to electricity operators, IT infrastructure, networks, IT systems, automation and control systems). To this end, it adopted some time ago a security governance system inspired by international best standards and practices.

This model is now well established, and is based on a detailed structure of policies and procedures, combined with an operating programme coordinated by Information Risk Management (IRM), with a focus on all the risk factors (organisational, technical and technological, physical/environmental, cyber, etc.), including compliance with laws on data processing and the fight against cyber crime.

In 2014, this programme continued to give priority to a preventive approach, through the adoption of controls aimed at guaranteeing, “by design”, the necessary security and resilience features for ICT assets, prioritising the most critical or even vital for the proper functioning of the Critical Infrastructure (CI), such as the grids and electricity grid control systems and the National Electricity System. In this programme, the security logic of the numerous databases which store “business sensitive” company data was an area of particular focus, as well as the data related to users of the transmission and dispatching services, those of electricity producers and traders (for example, production capacity and injection programmes), and the data gathered for sector statistics (as part of the Italian National Statistics System) or made available by the sector authority for monitoring the electricity market.

Together with internal initiatives aimed at preventing and managing cyber-risks, during the year Terna established the foundations for increased cooperation with Italian institutional organisations (MiSE-CERT, CNAIPIC, and DIS) which, on the basis of recent legislation serve as the strategic framework for national cyber security, in order to create the relationships and synergies that are indispensable in managing extended emergencies and crises due to cyber attacks. Finally, in regard to personal data protection, Terna guarantees the necessary monitoring of compliance with the legislative framework and, again in 2014, as in previous years, there were no complaints received from users for breach of privacy, or for inappropriate or unauthorised use of personal data entrusted to the Group's companies, either through the email address ([privacy@terna.it](mailto:privacy@terna.it)) created expressly for such notifications, or through the other channels used for notification or identification.

## Security of the electricity system 2014

In 2014 Terna implemented the **electricity system Security Plan**. The Plan was approved by the Ministry for Economic Development. It is drawn up every year and makes reference to a four-year planning period. The approach to electricity system security has become increasingly structured in successive editions of the Plan.

The current structure of the Security Plan envisages 8 different areas for scheduling, control, regulation and protection, restarting and monitoring of the electricity system, and an area for the secure and optimal management of renewable sources.

In the context of the aforementioned areas of intervention, the 2014 Security Plan confirms the short-medium term initiatives already identified in the previous edition, which also include innovative projects (in particular, power intensive electrochemical storage systems for ultra rapid frequency regulation and equipment to compensate for reactive power), aimed at securely managing the system, in particular on the larger islands, in the expected operating scenarios characterised by increasing production from non-programmable renewable sources.

In this context and also in consideration of the limited growth of the load and the progressive disposal of obsolete conventional thermal plants, with the consequent decrease of the system regulating capacity, the 2014 Plan includes studies to provide the main interconnection lines on the north Italian border with appropriate Phase Shifter Transformers (PSTs). In fact, these devices are particularly useful for the regulation and balancing of systems in critical situations, in particular under low load conditions or with excess production from non-programmable renewable sources.

In 2013 investments made in relation to projects provided for in the Security Plan amounted to € 73 million. The eleventh edition of the Security Plan for 2014-2017 provides for investments of around € 303 million.

## Safeguarding relations with stakeholders

Building a relationship based on mutual trust with our stakeholders begins with taking their interests into account and analysing their compatibility with those of the Company, in order to be able to adopt a consistent and transparent approach.

The stakeholder map of the Terna Group was reviewed in 2014, updating the 2006 version used as a premise to the drafting of the Code of Ethics.

The eight categories of the previous map, divided into 48 subcategories, were rearranged to provide more evidence to stakeholders previously merged with others. The current map is divided into 12 categories and 73 subcategories.

For every category of stakeholder, the following table shows the most important commitments expressed in the Code of Ethics and the specific engagement tools, such as monitoring and checking expectations and opinions. The various monitoring tools are used to different extents.



## Terna Group Stakeholders

	Commitments	Tools of engagement
<b>SHAREHOLDERS</b> <i>Controlling shareholders; Institutional equity investors; Retail investors; Financial analysts; Proxy advisors; SRI Investors; ESG rating analysts and agencies.</i>	<ul style="list-style-type: none"> <li>Balanced management of financial, security and service quality objectives.</li> <li>Creating value for shareholders in the short and long term.</li> <li>Corporate governance aligned with best practices.</li> <li>Adopting systems to forestall and control risks.</li> <li>Listening to shareholders and informing them in a timely and equal manner.</li> <li>Commitment to avoiding insider trading.</li> </ul>	Road shows, conference calls, dedicated meetings, dedicated email and websites. Sustainability ratings.
<b>BUSINESS PARTNERS</b> <i>Business partners; Investee companies; Purchasers of interconnection lines; Public safety organisations; Applied research institutions; Business developers.</i>	<ul style="list-style-type: none"> <li>Transparency and fulfilment of agreements and contractual commitments.</li> </ul>	Partnership agreements. Protocols. Meetings for specific projects. Structured collaboration.
<b>CUSTOMERS</b> <i>(non-regulated activities)</i> <i>Non-traditional business customers; potential customers</i>	<ul style="list-style-type: none"> <li>Efficient, quality service aiming at constant improvement.</li> </ul>	Dedicated meetings.
<b>COMMUNITIES</b> <i>Current and future end-users of the electrical service.</i>	<ul style="list-style-type: none"> <li>Ensuring the security, quality and cost-effectiveness of the service over time.</li> <li>Assessing the long-term effects of the Company's choices.</li> <li>Reducing the environmental impact of company activities.</li> </ul>	Toll free number active 24 hours a day. Open channels for alerts (post, e-mail). Public consultation. Periodic sample population surveys.
<b>LOCAL COMMUNITIES</b> <i>Landowners affected by grid development; Associations representing local interests; Local media; Local administrators; Local suppliers and subcontractors; Owners of property and land close to existing lines; Territorial committees; Local politicians; Local opinion-makers; Infrastructural sector operators; Other citizens affected by grid development; Other local authorities; Other citizens affected by existing lines.</i>	<ul style="list-style-type: none"> <li>Assessing the long-term effects of the Company's choices.</li> <li>Reducing the environmental impact of company activities.</li> <li>Advancing dialogue with local institutions to invest in a way that is respectful of the environment, landscape and local interests.</li> <li>Supporting social, humanitarian and cultural initiatives.</li> <li>Providing evidence of the implementation of environmental and social policies.</li> </ul>	Consultation process in planning the electricity grid. Formal communications and reports within regulated processes. Meetings with the general public.
<b>PUBLIC DECISION-MAKERS AND AUTHORITIES</b> <i>Ministries with responsibilities relevant to the electricity supply chain; Other Government Bodies; Regions and their Bodies; Parliament and Commissions; EU Institutions; Other regulation and audit institutions; the Judiciary; Strikes Information Commission; National institutions of other countries of interest; International institutions.</i>	<ul style="list-style-type: none"> <li>Transparent, complete and reliable information.</li> <li>Respect for deadlines.</li> <li>Representing the Company's interests and positions in a transparent, scrupulous and consistent fashion, avoiding collusion.</li> </ul>	Regular meetings. Formal communications and reports within regulated processes.

	Commitments	Tools of engagement
<b>LENDERS</b> <i>Banks; Rating agencies; Debt investors; International financial institutions; National and international public lenders.</i>	<ul style="list-style-type: none"> <li>Adopting systems to forestall and control risks.</li> </ul>	Regular meetings. Dedicated informative documentation. Ratings.
<b>SUPPLIERS</b> <i>Core suppliers; Non-core suppliers; Trade associations representing suppliers; potential suppliers.</i>	<ul style="list-style-type: none"> <li>Opportunity to compete on the basis of quality and price.</li> <li>Transparency and fulfilment of agreements and contractual commitments.</li> <li>Transparent procurement processes.</li> <li>Supplier qualification, including through quality, environmental and social certification.</li> <li>Anti-Mafia and anti-money laundering efforts with suppliers.</li> </ul>	Procurement portal. Direct meetings. Post-tender feedback. Discussion panels with associations.
<b>MEDIA AND OPINION-MAKERS</b> <i>National and international media; National and international opinion groups; Web users; Universities; Other scientific and research organisations; National and international study and steering groups.</i>	<ul style="list-style-type: none"> <li>Public and uniform dissemination of information.</li> <li>Excluding exploitation and manipulation of information to the advantage of the Company.</li> <li>Pursuing areas of cooperation in the interests of both parties, with associations representing stakeholders.</li> </ul>	Presenting and distributing the Sustainability Report and the Development Plan. Organising seminars, workshops and targeted surveys. Collaboration and partnership initiatives. Participation in structured working panels. Mailbox and profiles on social networks.
<b>ELECTRICITY SYSTEM OPERATORS</b> <i>Distributors; Producers; Potential users requesting connection to the NTG; Wholesalers; Associations representing industry operators; Other electricity supply chain organisations; Interruptible customers; Other transmission system operators (TSO); Industry bodies; Other NTG owners.</i>	<ul style="list-style-type: none"> <li>Efficient, quality service aiming at constant improvement.</li> <li>No arbitrary discrimination between operators.</li> <li>Confidentiality of information regarding grid users.</li> <li>Representing the Company's interests in a transparent and scrupulous manner, avoiding collusion.</li> <li>Ensuring utmost clarity in relations.</li> </ul>	Grid Code Consultation Committee. Dedicated meetings. Participation in structured working panels. "Operator Consulting" section on Terna's website. Reports provided and regulated by the Grid Code. "My Terna" platform for dispatching users, with dedicated call centre. GAUDI Portal for integrated management of plant and production units.
<b>PEOPLE IN THE ORGANISATION</b> <i>Employees; Governance bodies; External staff; Trade unions; Educational system; Workers' representatives.</i>	<ul style="list-style-type: none"> <li>Safeguarding the physical integrity of employees and their personal dignity.</li> <li>Non-discrimination and equal opportunity.</li> <li>Investment in professional development.</li> <li>Recognition of individual capacities and merit.</li> </ul>	Direct surveys, on a sampling basis or involving all employees. Internal communication initiatives. Focus groups on specific issues. Consultations, discussions and negotiation with the Trade Unions.
<b>REGULATORS OF LICENSED ACTIVITY</b> <i>AEEGSI, Ministry for Economic Development, European Regulatory Institutions.</i>	<ul style="list-style-type: none"> <li>Transparent, complete and reliable information.</li> <li>Respect for deadlines.</li> <li>Fair and collaborative approach to facilitate regulation.</li> </ul>	Regular meetings. Ongoing relations with the AEEGSI offices and Committee. Formal communications and reports within regulated processes. Transmission of information and evaluations in response to specific requests or on the initiative of Terna.

### Public decision-makers and authorities

Terna's work requires constant dialogue with governmental institutions (Prime Minister's Office, Ministry for Economic Development, Ministry of the Environment, Ministry for Cultural Assets and Heritage), Parliament (Chamber and Senate of the Republic), political contacts and national associations. This also requires attendance at hearings, meetings, conferences and forums to promote shared interests. In addition, continual discussion with regional and local authorities is also necessary to work on legislation governing the industry, authorisation procedures, and consultations with local communities.

During 2014, the Company was invited, on several occasions, to take part in Parliamentary hearings on important issues relating to Terna's operations.

By way of example we indicate the following:

- the Chamber Production Commission hearing (February 2014) on the inquiry on the National Energy Strategy;
- the Senate Industry Commission hearing on the results of State-owned companies (March 2014);
- the informal hearing at the united Senate Commissions for Industry and Territory on the electricity system outages in Veneto in the winter of 2013 (June 2014);
- the hearing at the Senate Industry Commission on the new leadership's strategies regarding the main directly or indirectly State-owned companies (October 2014);
- the informal Chamber Production Commission hearing on the Company's general strategies (October 2014).

A constant and collaborative dialogue was maintained with representatives of the political parties, Government and Members of Parliament, aimed at representing Terna's point of view, as the transmission operator, on issues relating to the Italian electricity sector.

Bilateral meetings with the Prime Minister's Office, and with the institutions, on subjects of particular significance to the company and for the development of the national electricity system also intensified. In particular, meetings with the Ministry for Economic Development increased as part of the process of drafting European legislation relating to the industry, promoting the involvement of national institutions in the activities of the Committee of Member States. This related specifically to the issue of implementing the third energy package (e.g. the European Grid Codes).

### Suppliers

The usual point of contact for Terna and its suppliers is the "**Procurement Portal**", the section of the institutional website where it is possible to learn about tenders, participate in online tenders, and go through the qualification process for inclusion on the Supplier Register.

In 2014, Terna adopted the electronic platform for managing contract tenders. This tool ensures that the tender procedures are done digitally and that all the documentation produced is also digital.

Terna also maintains direct contact with suppliers to manage contractual relations and improve the Company's knowledge of specific problems with groups of suppliers. To that end, meetings are periodically organised with specialist companies or industrial associations to inform them about any updates to the requirements, or points of attention related to the ethical conduct to be followed in relations with Terna.

**Terna presents and discusses its main investment projects** and relative procurement plans with the **electromechanical companies in the energy industry** (mostly members of Confindustria ANIE) and organises meetings on specific issues with particular reference to safety. The important action programme requires an even greater effort on the part of suppliers, who are required to act not merely as simple contractors but as real technological partners.

In order to expand its portfolio of suppliers, Terna continuously engages in "procurement marketing" by market scouting, benchmarking and monitoring the performance of suppliers. This involves constant meetings with both Italian and overseas supplier firms.

### Media and opinion-makers

In 2014, Terna's external communication was again assessed using the Demoskopea survey "City Giornalisti", a reference tool for finding out how effective journalists think companies' communication strategies are and how they judge their relations with press offices.

"City Giornalisti" saw Terna's press office finish in fifth place in the overall classification. It involved 80 economic and financial journalists from national newspapers and was conducted on a sample of 45 firms.

In 2014 the overall media coverage, within the 12-month period, recorded about 28,600 releases – an increase of 57% compared to 2013; specifically, +22% in the press, +20% in TV and +73% on the web.

The Web and online communication tools, consulted across the board by all company stakeholders, are essential engagement tools: a website is in fact the first channel for getting to know any company. Terna has long had a system for "reading and interpretation" of these channels with open field web monitoring that covers sites, blogs and social networks. The system accurately counts and detects Terna's web presence through related content.

Daily alerts detect references to the company on the web and, additionally, weekly and monthly reports track trends in content and how these influence the company's brand reputation with detailed analysis and evaluation of the results. The evaluation of opinions is, in fact, a key element to consider in the planning of activities aimed at building relationships with online journalists, citizens who talk about the Company on their social and business networks, and finally with employees.

### Electricity service operators

Terna maintains relations with grid users and electricity industry operators through various communication channels. In addition to communication portals and updates of reports and data - MyTerna and GAUDI – the Consultation Committee offers a space for communication with operators, which takes place as described below.

### Consultation Committee

The Committee is the technical consultation body for users established in accordance with the Prime Minister's Decree of 11 May 2004, setting out rules for the unification of ownership and management of the National Transmission Grid. The Committee is a permanent base for consultation with companies involved in the electricity industry and includes representatives from the various user categories, namely: distributors, producers (from both conventional and renewable sources), large industrial customers, wholesalers, and consumers. The Regulatory Authority for Electricity, Gas and Water and the Ministry for Economic Development participate as observers.

The Committee has a predominantly advisory role regarding the general criteria for the development of the grid and interconnections, maintenance of grid security, general criteria for the classification of sensitive information and access to the same. The Committee may also advocate changes to current rules and propose conciliatory regulations since, at the request of the parties, it may facilitate the resolution of any disputes between grid users resulting from the application of the rules of the Terna Grid Code.

This body was also part of Terna's activities in 2014 to promote the involvement of electricity operators.

Specifically, in 2014 the Committee was involved in the consultation process related to the revision of Annex A.72 to the Grid Code, and expressed its opinion on the same, which contains the "*Procedure for the Reduction of Distributed Generation in a state of emergency for the National Electricity System*", known as the RIGEDI Procedure, aimed at implementing the indications contained in annex M to CEI Regulation 0-16, regarding remote disconnection of generation plants exceeding 100 kW and connected to the grids in Medium Voltage.

In addition to this issue, on which the Committee was formally called to express its opinion, in 2014 Terna kept Committee participants continuously up to date on the 2014 National Transmission Grid Development Plan, the state of implementation of the Plan, new requirements and developments, and regulatory changes that have taken place regarding simple production and consumption systems. Finally, information was given on the methodology developed within ENTSO-E – Cost-benefit analysis methodology – for a harmonised European-level analysis of the costs and benefits of the works included in the European Development Plan.

### Regulators of licensed activity

Terna works mainly in a regulated context and the AEEGSI is the main stakeholder: through tariffs it determines almost all Terna's revenues and, with its measures, it defines the methods and conditions for carrying out the business for which Terna is the licensee.

Since 2012, in accordance with Legislative Decree 93/11, the AEEGSI has, through public consultation, intervened in the evaluation process of the Development Plan produced by Terna. In particular, in July 2014, the Authority launched the public consultation process for the 2013 and 2014 Development Plans. The process continued until September and included a seminar held at Terna headquarters. On this occasion, Terna presented the main contents of the Plans to stakeholders and responded to specific questions.

2014

