

# **WATER REGULATION: THE ITALIAN CASE AND THE EUROPEAN COOPERATION**

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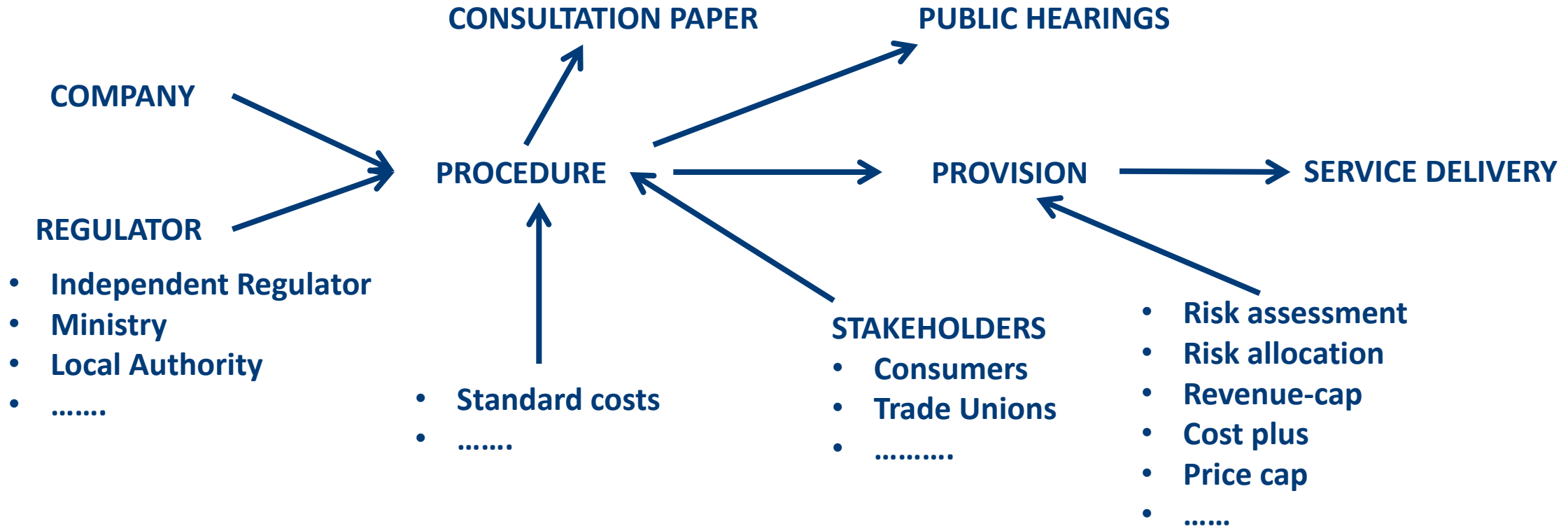
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## GENERAL REMARKS

- **Regulation as a language**
  - Comparison of different aims, targets, etc....
  - Identification of possible choices
  - Evaluation of the consequences of each possible choice
  - Explication of the choice itself
  - Mutual understanding
- **Regulation as a common language**
  - Consumers
  - Companies
  - Financial operators
  - Politicians
  - Other stakeholders

## THE BASIC PLOT



# BENEFITS FROM INDEPENDENT REGULATION OF PUBLIC WATER AND WASTEWATER NETWORKS

- Define a **clear and stable normative environment**, necessary for attracting investment in the water and wastewater
- Provide **incentives for water utilities** to increase efficiency in network operations and maintenance
- Ensure that **operators efficiencies** are passed on to the customer
- Ensure **technical and commercial quality** standards for water and wastewater services
- Collect **economic-financial information** from local authorities and operators
- **Enforce** regulatory decisions: inspections, sanctions, infringement procedures

- **Best practices of regulatory independence already experienced in regulation of electricity and gas networks in the EU, since the 1990s**

## THE ITALIAN INDEPENDENT REGULATOR: AEEGSI

- Law 481 of 14 November 1995 establishing **AEEGSI** as an independent regulator sets the powers for **electricity and gas** sectors
- Law Decree 201 of 6 December **2011** extended AEEGSI powers also to **water** sector
- **Regulatory functions**
  - Setting **tariffs** for protected markets and for the use of monopoly infrastructures
  - Setting conditions for third party **access to the network**
  - Setting compulsory standards for quality of service by **incentives, penalties, refunds**
  - Setting rules for **separation** of vertically integrated companies
  - Setting conditions for **service supply and contracts**
- **Monitoring functions** (compliance of regulation, wholesale markets, liberalisation process)
- **Enforcement functions** (consumer protection, infringement procedures, dispute settlement)
- **Advising functions** (opinions to Government and Parliament on market structure and promotion of competition)

# MULTI-LEVEL GOVERNANCE IN WATER SECTOR

## NATIONAL LEVEL

Ministry of the Environment  
and the protection of land and  
sea [MATTM]

The Italian Regulatory Authority for  
Electricity Gas and Water [AEEGSI]

## SUPRA-REGIONAL LEVEL

Basin Authorities

## REGIONAL LEVEL

Regions

Arpa

## INTERMUNICIPAL LEVEL

ATO [69]

## LOCAL LEVEL

Municipalities

Land Reclamation Authority



## INVESTMENTS REQUIREMENTS

In 2011 the OECD evaluated investment needs in Italy for **€65 bln over 30 years**

Geographical area	Total 30 years ( k€ )	Yearly total ( k€ /year)	Public financing	
			( k€ )	(%)
North - West	15.136.198	504.540	706.116	4,7%
North - East	13.537.169	451.239	1.204.368	8,9%
Centre	12.005.616	400.187	605.412	5,0%
South	15.858.934	528.631	1.757.482	11,1%
Islands	8.615.683	287.189	1.359.441	15,8%
<b>Italy</b>	<b>65.153.601</b>	<b>2.171.787</b>	<b>5.632.820</b>	<b>9,1%</b>

In 2012, at the beginning of its activity in the water sector, AEEGSI estimated that only **56% of the planned investments had been realized**

## AEEGSI ACTION: IMPACT ON INVESTMENTS

	NET INVESTMENTS 2012 (€)	NET INVESTMENTS 2013 (€)	NET INVESTMENTS 2014 (€)	NET INVESTMENTS 2015 (€)
North-West	195.741.644	184.324.445	350.241.242	440.956.598
Nord-East	266.595.624	332.483.991	323.830.781	429.109.401
Centre	333.369.137	344.173.029	387.298.944	427.190.417
South	153.725.206	60.434.581	108.306.589	149.297.118
Islands	11.522.585	6.057.384	31.914.845	44.120.667
<b>Italy</b>	<b>960.954.196</b>	<b>927.473.430</b>	<b>1.201.592.401</b>	<b>1.490.674.201</b>

Data referred to:

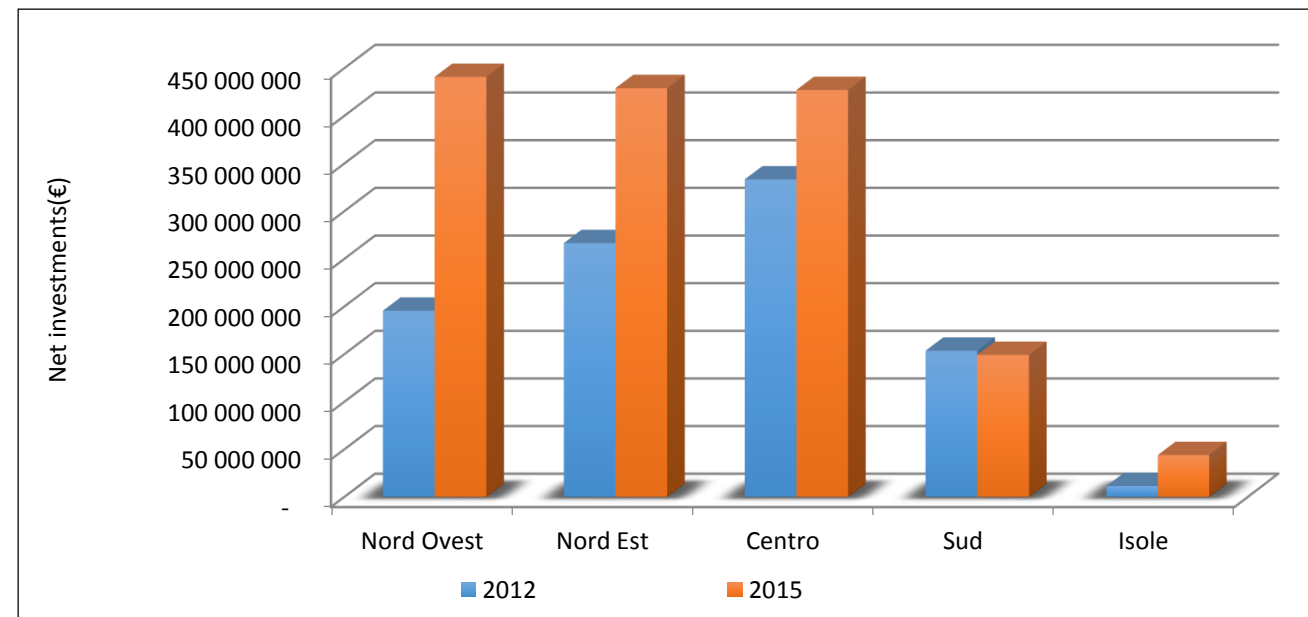
- 127 operators
- 40 mln inhabitants (2/3 of Italian population)

+55%

**PLANNED INVESTMENTS FOR THE PERIOD 2014-2017: € 5.506.412.296**

### Water Tariff Method - MTI (2014-15)

AEEGSI approved tariffs for **1.961 operators** regarding **49.8 mln population**. The new tariffs had an average yearly increase of **4,04% in 2014** and **4,46% in 2015**





## THE REASONS FOR WAREG

1. Regulation in **critical areas** faces huge problems often difficult to manage and to solve...
2. ... nevertheless, the tools – the language – should **remain the same**
3. The hurdles sometimes are due to scarcity of water, environmental issues, but they might be connected with low agreement on the actions to be taken as well as on the problems to be tackled
4. **Dialogue**, reciprocal **knowledge**, **comparison** of the effects of similar regulatory solutions, **identification** of new tools to be introduced due to good performance in other similar situations, etc. are all parts of a good regulatory system in an essential way
5. Need of a constructive and effective dialogue (technical and institutional) with EU Institutions
6. **WAREG** a key opportunity for:
  - free discussion
  - mutual understanding
  - identification of regulatory solutions

## WAREG ESTABLISHMENT: THE PROCESS

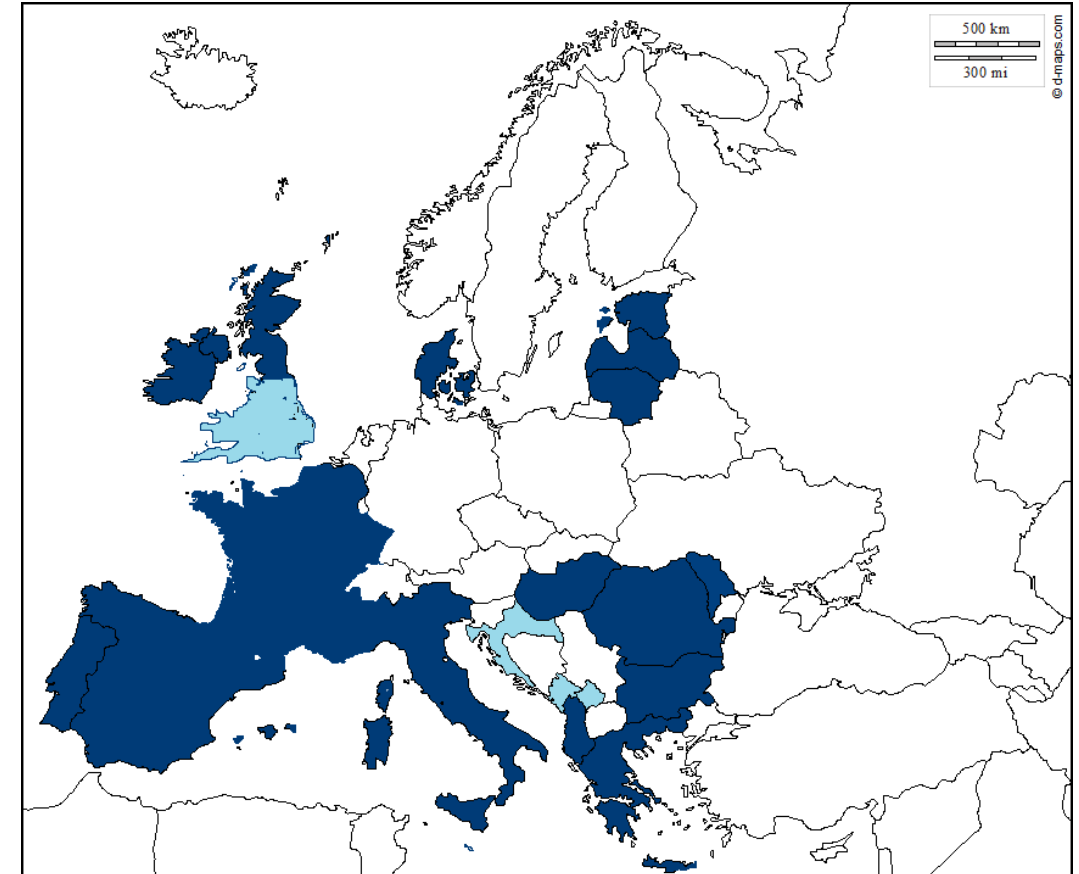


# WAREG MEMBERS

Membership is open to any regulatory body in Europe...Current Members are:

## 20 MEMBERS

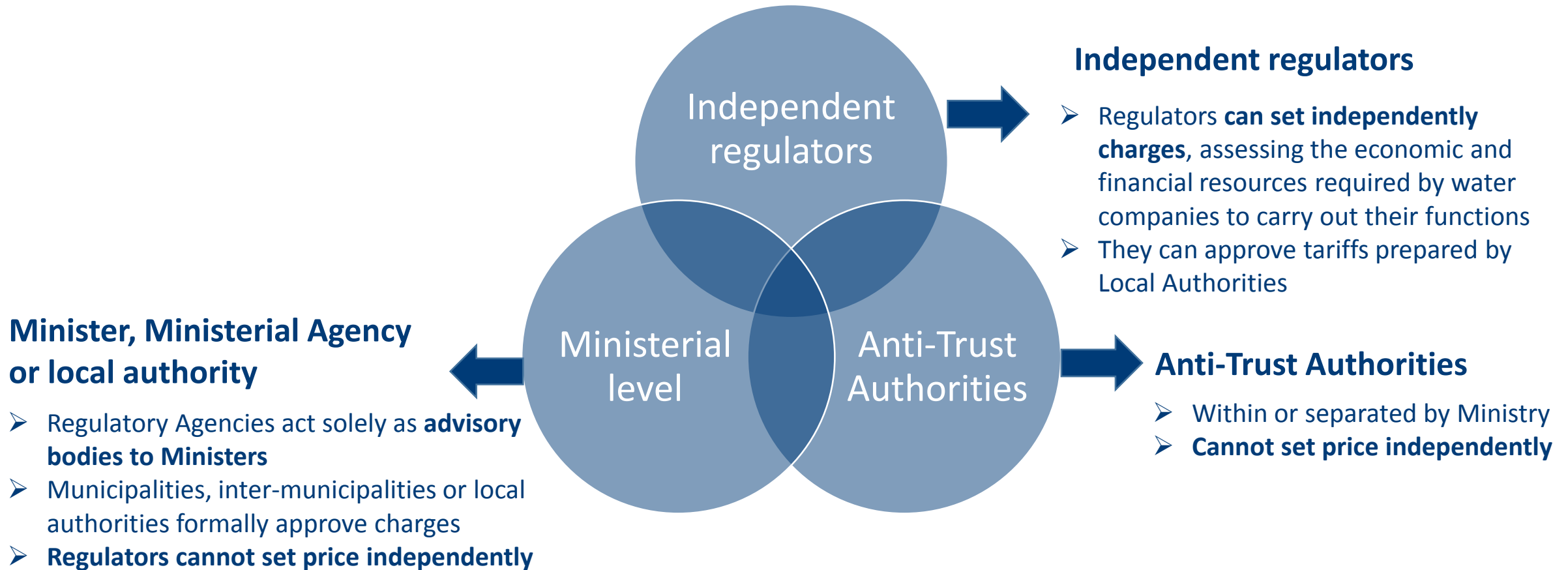
<b>AEEGSI</b> – Italy	<b>MAGRAMA</b> – Spain
<b>ANRE</b> – Moldova	<b>MEDDE</b> – France
<b>ANRSC</b> – Romania	<b>MRA</b> – Malta
<b>CER</b> – Ireland	<b>NCC</b> – Lithuania
<b>ECA</b> – Estonia	<b>NIAUR</b> – Northern Ireland
<b>ERRU</b> – Albania	<b>KSST</b> – Denmark
<b>ERSAR</b> – Portugal	<b>PUC</b> – Latvia
<b>ERSARA</b> – Azores	<b>SSW</b> – Greece
<b>EWRC</b> – Bulgaria	<b>VMM</b> – Flanders (BEL)
<b>HEA</b> – Hungary	<b>WICS</b> – Scotland



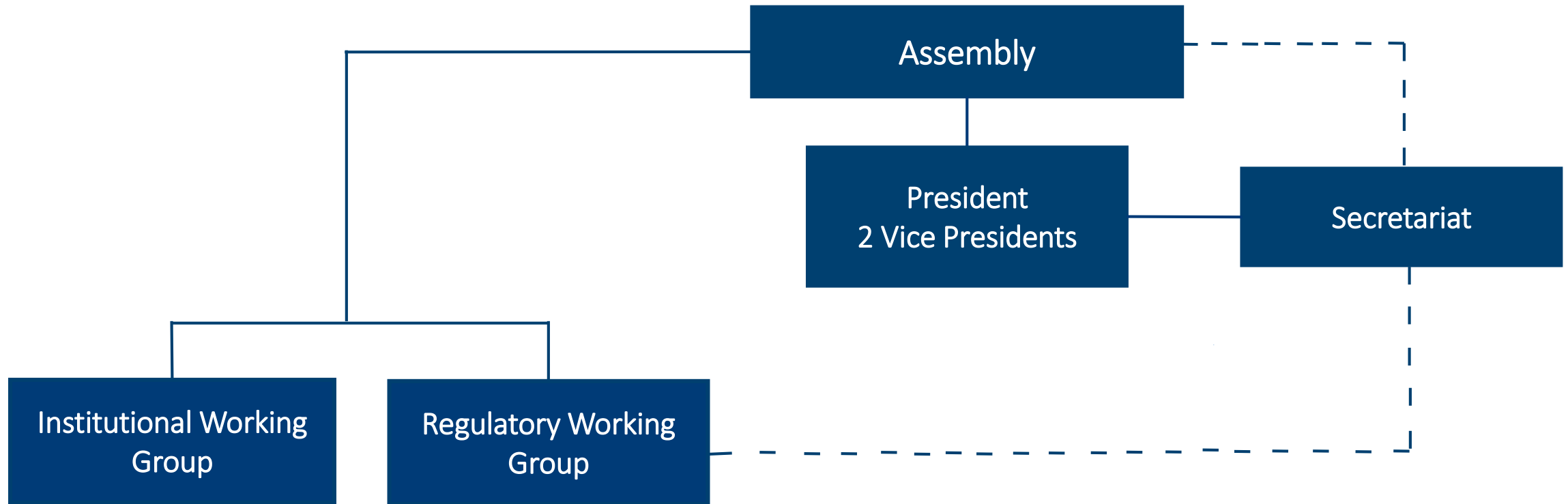
## 4 OBSERVERS

<b>OFWAT</b> – England/Wales	<b>Hrvatske vode</b> – Croatia
<b>Min. Dev.</b> – Montenegro	<b>WWRO</b> – Kosovo

## MODELS OF GOVERNANCE IN EUROPE



## The Structure of WAREG



## WAREG AIMS

Exchange common practices, information, joint analysis and comparison of existing water sector regulatory models and performance of water utilities

Promote capacity building, organize specialized training, technical assistance, exchange of know-how and experience

Promote stable regulation of water sector at European level for water and waste water services, supporting sustainability of services, adequate infrastructure investment, proper service quality standards and consumer protection

Establish an effective dialogue with the institutions of the European Union on issues of common interest

Ensure that the role of the economic regulator of water is understood at international level, in institutions and fora

Maintain open and effective the dialogue with national, European and international water sector stakeholders

## WAREG Target Audience



## CONCLUSIONS : SOME ISSUES

- **In the near future**, in Italy the **main hurdle** for regulation is going most likely to be the **social and political sustainability of increasing tariffs**:
  - **Finding money for investments**
  - **Reorganizing water industry (from 2500 to less than 100...)**
- Effects of a possible decrease in both **domestic and industrial consumption** (deepened by a higher tariff...), still to be evaluated
- **Regulation** will be tested not only on technical ground: dialogue with stakeholders, media, politicians, etc.
- **Experience sharing and cooperation** with Regulators in Europe will increase through WAREG