Courtesy translation – only the Italian text is authentic

Law No. 481 of 14 November 1995 [(1)]

Rules governing competition and the regulation of public utility services. Establishment of regulatory authorities for public utility services [(2)].

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(1) Published in the Official Journal No. 270 of 18 November 1995, *S.O.*

(2) See also *Law No. 249 of 31 July 1997* and art. 10 of *Legislative Decree No. 177 of 31 July 2005*.

1. *Purpose*

1. The provisions of this law aim at ensuring the promotion of competition and efficiency in the field of public utility services, hereinafter referred to as "services", as well as their adequate levels of quality in terms of cost-effectiveness and economic viability, while ensuring their uniform accessibility and distribution throughout the country, as well as at establishing an unequivocal and transparent tariff system based on predefined criteria, promoting the protection of users and consumers, taking into account the relevant EU regulations and the general policies laid down by the Government. The tariff system shall also harmonise the economic and financial objectives of the parties providing the services with general social objectives, including environmental protection and efficient use of resources.

2. For the privatisation of public utility services, the Government shall define the criteria for the privatisation of each undertaking and the related divestiture procedures and shall submit them to the Parliament for scrutiny by the competent Parliamentary committees [(3)].

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(3) Paragraph as amended by article *3* of *Law No. 249 of 31 July 1997*.

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2. *Establishment of regulatory authorities for public utility services*

1. This law provides for the establishment of the regulatory authorities for public utility services in charge of electricity, gas and water supply and telecommunications, respectively. On account of the overall context of the communications system, the telecommunications authority may be assigned responsibilities for other aspects of this system[(4)].

2. The provisions of this article shall constitute general guiding principles for the regulations governing the Authorities.

[3. To ensure a balanced distribution, throughout the country, of public bodies performing nationwide functions, the regulatory authorities for public services may not be based in the same city.] [(5)]

4. The rules and composition of each Authority shall be laid down by special laws that take into account the specificities of each sector on the basis of the general principles under this article. Article 3 of this law governs the electricity and gas sector. The other areas shall be regulated by *ad hoc* legislation.

5. The Authorities shall operate in full autonomy and make independent decisions and assessments; they are in charge of the regulation and oversight of the sector within their remit. For the electricity and gas sectors, in order to protect end customers and ensure actually competitive markets, the responsibilities shall cover all the activities of the relevant chain (6).

6. As national bodies in charge of regulation and control, the Authorities shall provide advice and report to the Government on issues falling within their remit, including for the purpose of laying down, transposing and implementing EU legislation.

7. Each Authority is a collegiate body and is composed of the President and two members, that are designated by Presidential decree, upon approval by the Council of Ministers of a proposal submitted by the competent Minister. The nominations made by the Government shall be first submitted to the competent parliamentary Committees. Under no circumstances may appointments be made in the absence of a favourable opinion expressed by a two-third majority of the members of the aforesaid Committees. These may hold hearings of the nominated persons. In the first implementation of this law, the parliamentary Committees shall reach a decision within thirty days of the request for their opinion; upon expiry of this period, the approval shall be expressed by absolute majority (7).

8. The members of each Authority shall be chosen from amongst highly qualified persons with recognized expertise in the relevant sector. They shall hold office for seven years and may not be reappointed. Under penalty of forfeiture, they may not carry out, either directly or indirectly, any professional or advisory activity, be directors or employees of public or private entities, nor hold other public office of any kind, including being elected or representing political parties, nor retain interests, either directly or indirectly, in undertakings operating in the sector falling under the Authority's remit. Public servants are suspended from their positions for the entire term of office (8).

9. For at least two years of the date of termination of their office, Board members and executives of the Authorities may not engage, either directly or indirectly, in cooperation, consultancy or employment relations with undertakings operating in their field of expertise. Violation of this ban shall be punished, unless the fact constitutes a criminal offence, with an administrative fine ranging from a minimum of ITL 50 million, or the amount of the consideration received, whichever the greater, to a maximum of ITL 500 million or the amount of the consideration received, whichever the greater. Entrepreneurs who have violated this ban shall be subject to a fine accounting for 0.5% of their turnover and, in any case, to a fine of at least ITL 300 million and not exceeding ITL 200 billion, and, in the most serious cases or in the event of repetition of the unlawful conduct, to the revocation of the relevant concession or authorization. These fines shall be reassessed according to the annual consumer price index for blue and white-collar worker households, as identified by ISTAT [1]. The provisions of this paragraph shall not apply to the executives who in the last four years of their office have been responsible solely for support offices (9).

10. In the performance of their duties, the Authorities' Board members and staff are public officials and as such bound by professional secrecy. Without prejudice to the prerogative of the collegiate body to adopt measures in the matters referred to in paragraph 12, in order to ensure their accountability and autonomy in the conduct of inquiry procedures, pursuant to *Law No. 241 of 7 August 1990*, as amended, and to *Legislative Decree No. 29 of 3 February 1993*, as amended, the applicable principles are those concerning the identification and functions of the person in charge of

[1] Istat: Central Institute of Statistics (TN)

the proceedings, and those concerning the differentiation between the Board's policy and control functions, and those assigned to the executives.

11. The allowances payable to the Authorities' members shall be determined by Prime Minister's decree upon the proposal of the Treasury Minister.

12. To pursue the purposes referred to in article 1, each Authority shall perform the following functions:

a) make observations and proposals to the Government and the Parliament on the services that shall be subject to concession or authorisation regime and on the related market forms, within the limits of existing laws, by proposing to the Government the necessary legislative and regulatory changes in relation to technological development, market conditions and EU law developments;

b) propose the models for renewal and possible amendments of individual concessions or authorisations, agreements and programme contracts to the competent Ministers;

c) verify that access conditions and modalities for the parties operating the services, however agreed, be implemented in accordance with the principles of competition and transparency, including with regard to individual cost items, also in order to fulfil the obligation to provide the service on equal terms, so as to meet all reasonable needs of users, including those of elderly and disabled persons, while ensuring environmental protection and safety of facilities and workers;

d) propose amendments to concessions and agreements, including those covering the operation on an exclusive basis, authorisations, existing programme contracts and conditions for service performance, where this is required by market developments or by the reasonable needs of users, and define the technical and economic conditions of access and interconnection to the networks, where provided for by the legislation in force;

e) establish and update, in relation to market developments, basic tariffs, parameters and other terms of reference for tariff determination as referred to in paragraphs 17, 18 and 19, as well as the procedures to recover any costs incurred in the general interest, so as to ensure quality and efficiency of the service, its adequate nationwide distribution, as well as the achievement of the general social objectives, including environmental protection and efficient use of resources as referred to in article 1 (1), by keeping any undue charge or cost separate from the tariff; verify that the annual proposals for tariff review comply with the criteria set out in the present paragraph and, after consultation of the parties operating the service, where appropriate, issue a decision within ninety days of receipt of the proposal. Should the decision not be made within this deadline, the tariffs are intended to be approved;

f) issue directives for accounting and administrative separation and verify the costs of each service to ensure, *inter alia*, their correct disaggregation and allocation by performed function, geographical area and user category, listing separately the costs resulting from the provision of the universal service covered by the agreement, thus providing for their comparison with similar costs in other countries, and ensuring data disclosure;

g) monitor the service performance with powers of inspection, access and retrieval of documents and relevant information, including by determining the cases of automatic user compensation by the party operating the service where the party does not comply with the contract terms or provides services with lower quality standards than those laid down in the service regulation referred to in paragraph 37, in the programme contract or pursuant to letter h) below [(10)];

h) issue directives concerning the production and provision of services by the parties operating such services, by defining in particular the general quality standards for the whole set of services and

the specific quality levels for each performance to be guaranteed to users, after consultation of the parties providing the service and the representatives of users and consumers, possibly differentiating them by sector and type of service. These directives produce the effects referred to in paragraph 37[(11)];

i) ensure the widest disclosure of the conditions governing the services; study the development of the sector and of individual services, including in order to amend technical, legal and economic conditions for their operation or provision; promote initiatives to improve the methods of providing the services; submit an annual report to the Parliament and to the Prime Minister on the state of the services and the activities performed;

l) advertise and raise awareness of the conditions under which the services are provided in order to ensure maximum transparency, competitive supply and possible better choices by intermediate or end users;

m) assess complaints, requests and reports submitted by users or consumers, individually or as a body, concerning the compliance with quality and tariff levels by the service operators, with whom it may intervene by imposing, where appropriate, changes in their mode of operation of the service or by revising the service regulation referred to in paragraph 37 [(12)];

n) verify that the measures adopted by the parties operating the service are adequate to ensure equal treatment of users, guarantee continuity in the provision of services, periodically check the quality and effectiveness of the services by acquiring user opinions for this purpose, guarantee all information about the way services are supplied and their qualitative levels, allow users and consumers the easiest access to offices open to the public, reduce the number of obligations required from users by simplifying the procedures for the provision of the service, ensure prompt response to complaints, requests and reports in accordance with quality and tariff levels;

o) propose to the competent Minister the suspension or revocation of concessions in cases where such measures are permitted by law;

p) monitor that each party operating the service, pursuant to the Prime Minister's directive of 27 January 1994, published in the Official Journal No. 43 of 22 February 1994, on the principles for the provision of public services, adopts a public service charter indicating the standards of each service and verify that the aforesaid charter is complied with;

13. Should the competent Minister reject the proposals referred to under paragraph 12 (b), (d) and (o), he/she requests the Authority to provide a new proposal and indicates explicitly the principles and criteria that shall be complied with under this law. Should the competent Minister not accept the second proposal presented by the Authority, he/she shall refer the decision to the Prime Minister, after consultation with the Council of Ministers; any departure from the proposed solution may be made only on serious and important grounds of general interest.

14. All administrative functions exercised by the government and other public bodies and administrations, including autonomous organizations, shall be transferred to each Authority, as relevant for the performance of its duties. In any case, until the date of entry into force of the regulations referred to in paragraph 28, the competent Minister shall continue to exercise the functions previously assigned to him/her by the legislation in force. The aforesaid is without prejudice to the policy-making functions in the sector, that rest with the Government, and to the powers reserved to local authorities.

15. Articles 12 and 13 of the consolidated act approved by *Presidential Decree No. 670 of 31 August 1972*, and the relevant implementing regulations under *Presidential Decree No. 381 of 22 March*

1974 and *Presidential Decree No. 235 of 26 March 1977* shall apply to the autonomous provinces of Trento and Bolzano.

16. The regulations contained in articles 7, 8, 9 and 10 of the special act approved by *Constitutional Law No. 4 of 26 February 1948* shall apply to the region of Valle d'Aosta.

17. For the purposes of this law, tariffs shall mean the maximum unit prices of the services after tax.

18. Except as provided for in article 3 and together with other criteria of analysis and assessment, the parameters referred to in paragraph 12 (e), set by the Authority to determine the tariff with the price-cap method, that is intended as the maximum change in price for a multi-year period, are as follows:

a) annual average rate of change in consumer prices for blue and white-collar worker households in the preceding twelve months as identified by ISTAT;

b) targeted change in the annual productivity rate, set for at least a three-year period.

19. For the purpose of paragraph 18, reference is also made to the following items:

a) improved quality of the service as compared to predefined standards for at least a three-year period;

b) costs arising from unforeseeable and exceptional events, legislative changes or universal service obligations;

c) costs arising from adoption of measures aimed at controlling and managing demand through an efficient use of resources.

20. For the purpose of carrying out its duties, each Authority shall:

a) request the parties providing the service to supply information and documents on their activities;

b) carry out checks on the compliance with the agreements, contracts and regulations referred to in paragraphs 36 and 37;

c) impose administrative fines, unless the fact constitutes a criminal offence, ranging from a minimum of ITL 50 million to a maximum of ITL 300 billion in case of non-compliance with the measures laid down by the Authority or in case service operators fail to comply with the requests for information or with those related to checks, or where the information and documents received are false; in case of repetition of the violations, where this does not jeopardise the availability of the service for users, the Authority has the power to suspend the business activity up to 6 months or to propose to the competent Minister the suspension or revocation of the concession [(13)];

d) order the service operator to cease the conduct which is detrimental to the users' rights, by imposing the obligation to pay a compensation pursuant to paragraph 12 (g);

e) may adopt in the context of arbitration or conciliation procedures, temporary measures to ensure continuity in the provision of the service or to eliminate abuses or misuses by the service provider.

21. In the economic and financial planning document the Government shall outline to the Authorities the development needs of public utility services which best suit national interests.

22. In addition to the provision of information and data, public administrations and undertakings shall cooperate with the Authorities for the performance of their duties.

23. Pursuant to chapter III of *Law No. 241 of 7 August 1990*, by their own regulations to be adopted within ninety days of their designation, the Authorities shall regulate the periodic hearings of user and consumer associations. These regulations shall also govern the regular hearings of environmental protection associations, trade unions, business associations, and surveys on user satisfaction and efficiency of services.

24. Within sixty days of the date of entry into force of this law, one or more regulations issued pursuant to article *17* (1) of *Law No. 400 of 23 August 1988* shall define:

a) appropriate procedures for the activities carried out by the Authorities so as to ensure that the interested parties have full knowledge of the relevant inquiry documents, arguments, both written and oral, and records;

b) criteria, conditions, time limits and arrangements to be applied to conciliation or arbitration procedures before the Authorities in case of dispute between users and service operators, including the cases where such conciliation or arbitration procedures may be submitted in the first instance to the arbitration and conciliation committees set up at the chambers of commerce, industry, craft and agriculture. Until expiry of the time limit set for the submission of requests for conciliation or referrals to arbitration, the time limits for a court proceeding shall be suspended and, if it has been proposed, may not be proceeded further. The statement of conciliation or the arbitration decision shall be immediately enforceable [(14)] [(15)].

25. Judicial protection before administrative courts is governed by the code of administrative procedure [(16)].

26. Disclosure of documents and proceedings by the Authorities is also ensured through a bulletin published by the Prime Minister's Office [(17)].

27. Each Authority shall have organisational, accounting and administrative autonomy. The budget and financial statements, which are subject to scrutiny by the Court of Auditors, shall be published in the Official Journal.

28. Each Authority, by its own rules of procedure, shall define, within thirty days of its establishment, the rules for its internal organisation and operation, staffing plan, which may not exceed one hundred and twenty employees, career organisation and, on the basis of the criteria laid down in the existing collective labour agreement of the Competition Authority and taking into account the specific functional and organisational requirements, the legal and economic treatment of personnel. The provisions of *Legislative Decree No. 29 of 3 February 1993*, as amended, shall not apply to the Authorities, except as provided for in paragraph 10 of this article [(18)].

29. The rules governing the permanent staff in the staffing plan of each authority shall be subject to public competition, with the exception of the categories for which recruitment is provided in accordance with article 16 of *Law No. 56 of 28 February 1987*, as amended. In the first implementation of this law, each Authority shall provide for a special personnel selection including from amongst civil servants holding the required competences and professional qualifications and experience for the performance of individual functions; this selection shall be carried out so as to ensure maximum neutrality and impartiality and, in any case, it shall not exceed 50 per cent of the posts available in the staffing plan.

30. Each Authority may recruit no more than sixty employees[(19)] under a fixed-term contract for a period not exceeding two years, as well as up to ten external experts and consultants, for specific purposes and professional expertise, under a fixed-term contract for a period not exceeding two years, which may be renewed no more than twice [(20)].

31. The staff in service with the Authorities, including fixed-term employees, may not take up any other job or post or engage in any other professional activity, even on an occasional basis. Moreover, they may not hold interests, either directly or indirectly, in the undertakings operating in the sector. Violation of these bans is a cause of termination and dismissal and, unless the fact does not constitute a criminal offence, shall be subject to an administrative fine ranging from a minimum of ITL 5 million to a maximum of ITL 50 million or the amount of the payment received, whichever the greater.

32. One or more regulations shall be issued within ninety days of the date of entry into force of this law, pursuant to article 17 (2) *Law No. 400 of 23 August 1988*, for the purpose of conveying the remaining responsibilities conferred upon the Authorities by this law, reorganising or abolishing offices and reviewing the staffing plan of the public administrations concerned by the application of this law; the powers exercised in this area by the Interministerial Committee for Economic Planning shall be terminated. As of the date of entry into force of the regulations referred to in this paragraph, the laws and regulations governing the abolished reorganised offices shall be repealed. The regulations shall specify the provisions repealed under the previous sentence.

33. With regard to the actions and conduct of undertakings operating in the sectors under their control, the Authorities shall report to the Competition Authority on any existing violation of the provisions of *Law No. 287 of 10 October 1990*.

34. For issues relating to the protection of competition, the Competition Authority shall deliver within 30 days a mandatory opinion to the competent public authorities concerning the terms of concessions, service contracts and other regulatory tools for the operation of national services.

35. The concessions granted in the sectors referred to in paragraph 1, the duration of which may not exceed forty years, may be in return for payment, with the exceptions provided for by the legislation in force.

36. The operation of the service under concession shall be governed by agreements and programme contracts, if any, that are concluded between the granting administration and the party operating the service; these arrangements shall specify, in particular, general objectives, specific purposes and mutual obligations to be pursued in the performance of the service; verification procedures and penalties for non-fulfilment; modalities and procedures for automatic compensation and arrangements for updating, reviewing and renewing the programme contract or agreement.

37. The party operating the service shall draw up service regulations in compliance with the principles set out herein and with the provisions of the documents referred to under paragraph 36. The Authorities' decisions referred to in paragraph 12 (h) shall constitute amendments or additions to the service regulations.

38. The costs arising from the establishment and operation of the Authorities, accounting for ITL 3 billion for 1995 and ITL 20 billion, for each Authority, from 1996 onwards, shall be covered as follows:

a) for 1995, by means of a corresponding reduction of the budget allocation entered in the three-year budget 1995-1997 under heading 6856 of the Treasury's estimates for 1995, partly using the funds set aside for the Ministry of Industry, Trade and Crafts;

b) as from 1996, by means of a contribution not exceeding one per thousand of the revenue from the last financial year, that is payable by the parties operating the service; the contribution is payable by the 31st of July of each year to the extent and in accordance with the procedures laid down by a decree to be issued by the Minister of Finance, in agreement with the Minister of the Treasury, within thirty days of the date of entry into force of this law [(21)].

39. [The Minister of Finance is entitled to adjust the contribution payable by the parties operating the service in proportion to the costs to cover the actual operating costs of each Authority] [(22)].

40. The payments referred to in paragraph 38 (b) relating to the Communications Regulatory Authority and the Electricity and Gas Regulatory Authority, are paid directly into the budgets of these entities [(23)].

41. The Minister of the Treasury is entitled to make any necessary budget changes by means of his/her decrees.

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(4) Paragraph as amended by article *13 (13) of Decree-Law No. 145 of 23 December 2013*

(5) Paragraph repealed by article *22 (10) of Decree-Law No. 90 of 24 June 2014*.

(6) Sentence added by article *28 (1) of Law No. 99 of 23 July 2009*.

(7) For the composition of the Electricity and Gas Regulatory Authority see art. *1 (15) of Law No. 239 of 23 August 2004*.

(8) See also article *22 (1), (4), (5), (6) and (7) of Decree-Law No. 90 of 24 June 2014*.

(9) Paragraph as amended by article 22 (3) (a) and (b) of Decree-Law No. 90 of 24 June 2014, converted, with amendments, into *Law No. 114 of 11 August 2014*.

(10) See, also, decisions of the Electricity and Gas Regulatory Authority No. 185/05 of 6 September 2005, No. 294/06 of 18 December 2006, No. 139/07 of 19 June 2007 and No. 172/07 of 12 July 2007, and Decision No. ARG/elt 13/10 of 4 February 2010.

(11) For the purpose of implementing the provisions of this letter, see, for the gas sector, decisions of the Electricity and Gas Regulatory Authority No 229/2001 of 18 October 2001, No. 207/02 of 12 December 2002, No. 185/05 of 6 September 2005, No 294/06 of 18 December 2006, No. 139/07 of 19 June 2007. See, also, decisions of the Authority of Electricity and Gas No. 144/07 of 25 June 2007, No. 172/07 of 12 July 2007 and No. ARG/elt 13/10. of 4 February 2010.

(12) By decision of the Electricity and Gas Regulatory Authority No. 141/7 of 22 June 2007 (Official Journal No. 164 of 17 July 2007, S.O.) the use of the compensation fund for the electricity sector *(Cassa di Conguaglio per il settore elettrico)* for the performance of material, informational and inquiry activities, including those that are preparatory and instrumental to the assessment of complaints, requests and reports submitted by final customers pursuant to this letter. Decision No. GOP 28/08 of 14 May 2008 (Official Journal No. 149 of 27 June 2008, S.O.) established the single contact point for electricity consumers and adopted the regulation for the performance of material, informational and inquiry activities, including those preparatory and instrumental to the assessment of complaints, requests and reports submitted by final customers pursuant to this letter. The above decision further provided for its publication in the Official Journal of the Italian Republic and on the Authority's website (www.autorita.energia.it) so as to ensure its entry into force as of the date of publication.

(13) Letter as amended by article *28 (4) of Law No. 99 of 23 July 2009*.For the purpose of implementing the provisions of this letter, see decision No. ARG/com 144/08 of 2 October 2008.

(14) Letter as amended by art. 5 (1) (*a*) of *Legislative Decree No. 219 of 25 November 2016*.

(15) See also decision of the Communications Regulatory Authority No. 173/07/CONS of 19 April 2007.

(16) Paragraph as replaced by article 3 (6) of Annex 4 to *Legislative Decree No. 104 of 2 July 2010*,as of 16 September 2010, pursuant to the provisions of article 2 thereof.

(17) See also article 1 (1249) of *Law No. 296 of 27 December 2006*. For disclosure of the Authorities' decisions, see art. 32 of *Law No. 69 of 18 June 2009*.

(18) Paragraph as amended by art. 1 (118) of *Law No. 239 of 23 August 2004*.

(19) For the reduction in the number of ARERA fixed-term employees, see art. 1 (347) of *Law No. 145 of 30 December 2018*.

(20) Paragraph as amended by art. *1* (118) of *Law No. 239 of 23 August 2004*. See also article 25 of *Law No. 422 of 29 December 2000* – Community law 2000.

(21) This letter had been repealed by the last sentence of article 1 (68) of *Law No. 266 of 23 December 2005*, which was later deleted by article 39-d of *Decree-Law No. 273 of 30 December 2005*,as supplemented by the relevant conversion law. See also paragraph 68-a of Law No. 266 of 2005, as added by the aforesaid article 39-d. For the amount and payment procedures of the contribution payable by companies in the electricity and gas sector, see Ministerial Decrees of 9 July 2002, 25 July 2003, 21 July 2004 and 21 July 2005, decisions of the Electricity and Gas Regulatory Authority No. 117/06 of 19 June 2006, and No. 142/07 of 22 June 2007. For the amount and payment procedures of the contribution payable to the Communications Regulatory Authority pursuant to this letter, see, for 1999, Ministerial Decree of 16 July 1999; for 2000, Ministerial Decree of 12 July 2000; for 2001, Ministerial Decree of 4 July 2001; for 2002, Ministerial Decree of 17 May 2002; for 2003, Ministerial Decree of 26 June 2003; for 2004, Ministerial Decree of 20 July 2004; for 2005, Ministerial Decree of 22 July 2005 and, for 2006, decision of the Communications Regulatory Authority No. 110/06/CONS of 2 March 2006.

(22) Paragraph repealed by article 1 (68-a) of *Law No. 266 of 23 December 2005*, as added by art. 39-d of *Decree-Law No. 273 of 30 December 2005*, as supplemented by the relevant conversion law.

(23) Paragraph as replaced by article 18 (24) of *Law No. 312 of 30 December 2004*.

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3. *Measures concerning the Electricity and Gas Regulatory Authority and other measures concerning the electricity sector* [(24)].

1. With respect to the provisions of article 2 (14) of this law, the functions in the field of electricity and gas as assigned by article 5 (b) of *Presidential Decree No. 373 of 20 April 1994* to the Minister of Industry, Trade and Crafts shall be transferred to the Electricity and Gas Regulatory Authority. The Minister of Industry, Trade and Crafts shall continue to exercise these functions pursuant to the aforesaid article 5 until the rules concerning the organization and operation of the Authority referred to in article 2 (28) of this law are adopted.

2. With respect to the tariffs for electricity supply services, the unit prices to be applied by user type are the same throughout the country. These tariffs shall also include the items arising from the costs related to the use of fossil fuels, from domestically purchased and imported electricity, as well as the items arising from charges related to the incentive for new electricity produced from renewable and equivalent sources. The Authority shall also ascertain whether the required conditions are met for the items arising from compensation of the costs related to the suspension and interruption of the construction of nuclear power plants and to the permanent closure of nuclear power plants, as well as from the financial coverage of the revenue loss due to taxation laws introduced to implement the

national energy plan, in accordance with article 33 of *Law No. 9 of 9 January 1991*. These items shall be specified in the tariff. The Authority shall verify whether the criteria adopted to determine the reimbursement of the costs related to the suspension and interruption of the construction works of nuclear power plants, and to their closure, including for the exercise of the powers referred to in paragraph 7 of this article [(25)], are appropriate.

3. In exercising the functions and powers referred to in article 2 (12) (c), and (20) and (22), the Authority shall issue guidelines to ensure the identification of the different components of the tariffs referred to in paragraph 2, and of taxes and other charges [(26)].

4. For the tariff update concerning the part net of the cost items referred to in paragraph 2, the parties operating the service, based on the changes in the parameters referred to in article 2 (18), as laid down by the Authority pursuant to article 2 (12) (e), as well as on any items referred to in article 2 (19), shall draw up tariff review proposals to be submitted by the 30th September of each year to scrutiny by the Authority that shall exercise the functions referred to in article 2 (12). Forty-five days after the review proposal has been notified without the Authority having verified it, the proposal is considered to be approved. Where the Authority requires further information or inquiries, the above-mentioned period shall be extended by 15 days. Tariffs for electricity supply services, as updated by the 31st December of each year, shall enter into force as of the 1st of January of the following year. At the same time, the Authority shall decide on any reviews of the equalisation system.

5. Tariff updates in relation to the costs related to fossil fuels, domestically purchased and imported electricity shall be carried out by automatic calculation mechanisms based on predefined criteria laid down by the Authority and linked to market developments. Tariff updates are carried out by the parties operating the service and are subject to ensuing scrutiny by the Authority [(27)].

6. The equalisation systems among the parties operating the service shall be regulated on the basis of the relevant general measures issued by the competent Minister or, following the entry into force of the regulations referred to in article 2 (28), by the Authority.

7. The measures already adopted by the Inter-ministerial Price Committee [IPC] and by the Ministry of Industry, Trade and Crafts in the field of electricity and gas shall retain full validity and effectiveness, unless they are amended or repealed by the Minister, including in the concession contract, or by the competent authority. IPC Measure No. 6 of 29 April 1992, published in the Official Journal No. 109 of 12 May 1992, as supplemented and amended by the Decree of the Minister of Industry, Trade and Crafts of 4 August 1994, published in the Official Journal No. 186 of 10 August 1994, applies, throughout the duration of the contract, to the chosen initiatives, on the date of entry into force of this law, for the purpose of concluding the agreements, including preliminary ones, as provided for in the decree of the Minister of Industry, Trade and Crafts of 25 September 1992, as well as to the proposals made by the 31stof December 1994 to ENEL s.p.a. to transfer electricity produced from renewable sources, strictly speaking, and to the proposals to transfer electricity from blast furnaces or coke plants presented by the same date, provided that in the latter cases the necessary primary business activity remains in place. Likewise, the provisions of *Presidential Decree of 28 January 1994*, published in the Official Journal No. 56 of 9 March 1994, shall remain effective. The remaining initiatives shall remain subject to existing legislation, including the aforementioned IPC Measure No. 6 of 1992 and the relevant updates provided for by article 22 (5) of *Law No. 9 of 9 January 1991*, which will take into account the principles referred to in article 1 of this law [(28)].

8. For the parties operating the service in the electricity sector, the accounting separation referred to in article 2 (12) (f) shall be implemented within two years of the date of entry into force of this law; this refers, in particular, to the different stages of generation, transmission and distribution as if they were managed by different undertakings. These parties shall publish in their annual report a balance sheet and profit and loss account for each separate stage. Without prejudice to the

provisions of article 20 (1) of *Law No. 308 of 29 May 1982*, the electricity-related activities formerly carried out by the electricity undertakings of local authorities shall remain under the concession regime granted by the Minister for Industry, Trade and Crafts. Relations between the electricity undertakings of local authorities and ENEL s.p.a. shall remain governed by the contracts concluded pursuant to article 21 of *Law No. 9 of 9 January 1991*.

9. This law shall enter into force on the day following its publication in the Official Journal.

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(24) See also *Decree-Law No. 473 of 13 September 1996* on the transparency of electricity tariffs.

(25) See, also, Prime Minister's Decree of 31 October 2002.

(26) Paragraph as replaced by art. 1 of *Decree-Law No. 473 of 13 September 1996* as supplemented by the relevant conversion law.

(27) See, also, Prime Minister's Decree of 31 October 2002.

(28) Article 1 of Ministerial Decree of 24 January 1997 (Official Journal No. 44 of 22 February 1997) provided that the transfer initiatives and proposals under this paragraph, and the plants already constructed and those under construction on the date of its entry into force, shall be subject to the provisions concerning the new energy production contained in IPC measure No. 6 of 29 April 1992, as supplemented and amended by Decree of the Minister of Industry, Trade and Crafts of 4 August 1994.