



FONDAZIONE ENI  
ENRICO MATTEI

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TURNING DOWN THE HEAT:  
water supply and sanitation  
service in Italy in the  
aftermath of the  
abrogative referendum in 2011

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Emanuela Cappuccini,  
Fondazione Eni Enrico Mattei

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# Outline

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# Turn the corner – Referenda June 2011

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Abrogative referenda of June 2011 have led to:

- Repealing of the article 154, paragraph 1 of the Dlgs. 152/2006 related to the eligible cost of invested capital (7%) -> consequences regulatory uncertainty and decline of the investments.
- Repealing of the article 23bis of the Law Decree 112/2008 related to the involvement of private sector in WSS -> making it possible to choose from among different options, included «in house» water utilities.

# Background – Evolution of normative framework

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- Law 183/1989 -> division of the territory in river basins.
- Law 36/1994 -> reduction in the number of water utilities to exploit economies of scale and unified vision of the water supply and sanitation service (WSS).
- Legislative Decree 152/1999 -> transposed two European directives concerning urban waste-water treatment and the protection of waters against pollution.
- Legislative Decree 267/2000 -> obligation of call for tender procedures for the selection of companies who will manage water service.
- Constitutional reform of the part V -> re-organization of competences between central Government and Regions.

# Transposition of the Water Framework Directive 2000/60/EC

## Provision of the Dlgs. 152/2006:

- A. Division of the territory in 8 districts and drafting of the Plans.
- B. District Authorities.
- C. Optimal Territorial Area Authorities.
- D. Water management structure.
  
- E. Regulatory matter.

## Achievement of the 152/2006:

- ✓ Division of the territory in 8 districts District Plans concluded.
  - Since 2006 prorogated Basin Authorities.
  - Repealed in 2010, Regions should relocate the competences.
- ✓ Abrogative referenda of 2011 repealed the admissible cost of invested capital (7%) and discussed private participation in the water service.
- ✓ The National Agency for regulation and the control in the field of Water has been repealed -> competences to the Authority for Energy and Gas.

## Districts Authorities (DA)

Provisionally, the tasks of DA carried out by the former Basin Authorities of national importance (currently kept in power until 31<sup>st</sup> December 2012) and Regions



This situation caused problems for:

- Adoption of the River Basin Management Plan.
- Interplay of roles and competences.
- Investment planning



Source: Ministry for the Environment, the Land and the Sea

# Optimal Territorial Area Authorities

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Local organization of the water supply and sanitation (WSS), decisions regarding the investments and water tariffs were in hands of the Optimal Territorial Area Authorities (AATO).



The Law 42/2010 repealed the AATOs and left it to the regional governments to re-organize and/or transfer the competences to local authorities or new regional agency. The abolition of AATOs postponed twice, most recently until 31<sup>st</sup> December 2012.



Regions oriented towards different schemes, e.g. ATERSIR in Emilia-Romagna e «Basin Council» in Veneto.

# Water Management Update – Legislative proposals

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Before the 2011 referenda, three legislative proposals were put forward:

- Popular initiative n.2, submitted on July 2007.
- Initiative of the MP Messina (Italia dei Valori) n.1951, submitted on November 2008.
- Initiative of the MP Bersani (Partito Democratico) n.3865, submitted on November 2010.



# Popular Initiative, n. 2

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## Key principles:

- Return to public management of the water service.
- Establishing a National Fund for construction/maintenance of water infrastructure.
- Investments paid, partially, with taxes.
- Re-allocation of 5% of the defense budget (reference year 2008).

# Initiative of MP Messina, n. 1951

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Modification of the Environmental code 152/2006, in particular related to:

- Water management system, that could be wield by local authority alone or in association with others (art. 148).
- Relations between ATO Authorities and water utility (art. 151).
- The exemption of the payment of the fee for the member of the Land Reclamation Board that is not connected to the system or to the irrigation channel (art. 166).

# Initiative of the MP Bersani, n. 3865

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Proposes:

- Extended power of River Basin District Authorities.
- Reinforced role of the ATO, institution of an assembly with competences in the field of Water Supply and Sanitation (with the participation of the local authorities).
- Independent authority to verify plans of ATO and water tariffs, introduce system of sanctions.
- One water utility per each ATO.

# Regulatory matters (1)

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The Law 214/2011 gave the mandate to the Authority for Energy and Gas (AEEG) for the regulatory matters in the field of water tariffs



A division of the roles between the AEEG and the Ministry for the Environment will be specified in the Prime Minister's Decree currently under consultation



The AEEG launched the first «public consultation» at the end of May (close on 22nd June)



A second «public consultation» is expected before the summer break

## Regulatory matters (2)

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New guidelines proposed for the regulation:

- Provide right incentives and stable regulatory environment for investments in the infrastructure and to guarantee good and efficient service to users.
- To put in place full cost recovery, but the investments are translated into tariffs only once the interventions have already been completed.
- Tariff specified for each «regulatory period» .
- Three pillars as a starting point: transparency, efficiency and quality of the service.

## Regulatory matter (3)

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Stimulating mechanisms for investments will cover a longer period than a «regulatory period» and are the following:

- ✓ Price cap or revenue cap on operative costs, updated yearly.
- ✓ Profit sharing to sharing out efficiencies between the water utility and the users in the transition time among regulatory periods.
- ✓ Acknowledgement standard about specific parameters.
- ✓ Incentives to improve investments.

## Regulatory matter (4)

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Two ways to cooperate between new «AATOs» and the AEEG:

- ✓ AATOs determine recognizable costs to water utilities and put forward a proposal tariff level that should be approved by the AEEG.
- ✓ AEEG collect the information from the water utilities and then give to AATOs the proposed tariff level.

# Outcomes of the workshop “Pricing Water” (June 8<sup>th</sup> 2012, Venice, FEEM)

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- It's necessary to simplify the multi- level structure (vertical and horizontal), improve the efficiency – efficacy, increase the environmental protection and costumers satisfaction.
- Full implementation of all the rules established in the Environmental Code, such as the establishment of the District Authorities.
- Guarantee a high quality of Area Plans.
- Alternative ways to finance water infrastructure, in addition to tariffs.
- Water tariff not only to fully recover the costs but as an incentive for water conservation.



# Conclusions

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Water management needs:

- ✓ a clear and decisive improvement in a short time.
- ✓ to learn from the experience from other European Countries.
- ✓ to act together with the agreement of the costumers.
- ✓ establish a clear regulatory system for the tariff.

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Thank you for your attention!

[emanuela.cappuccini@feem.it](mailto:emanuela.cappuccini@feem.it)