

snam rete gas



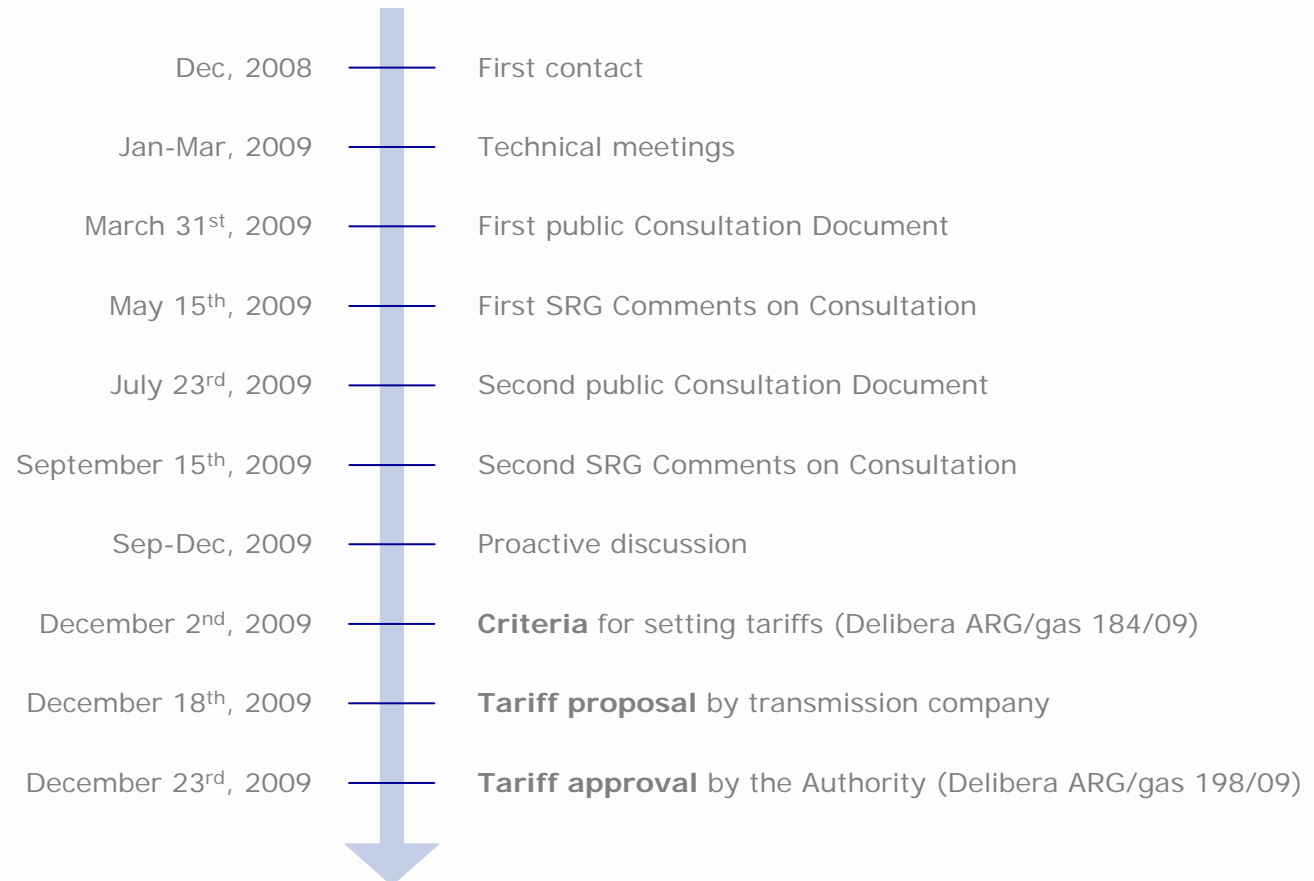
Transport Business-

Regulatory framework for 2010-2013 period



The regulatory review process

Continuous contacts...



Clear and Stable

- 4-year regulatory period (from 2010 to 2013)
- Transparent methodology to calculate allowed revenues
- RAB based on “re-valuated historical cost” methodology

Attractive incentives

- Extra-return allowance on new investments
- Extra-efficiency retention on operating costs
- Financial efficiency retained in the period

Long term visibility

- Up to 15 years premium on new investments
- Profit sharing retention gradually transferred to shippers in 8 years

Low risk profile

- No inflation exposure (yearly adjustment of RAB and revenues)
- Very low gas demand exposure (increased capacity revenue)
- No exposure to fuel gas cost (pass through)

Return On RAB

- 6.4% in real terms pre-tax
- 1% premium for 5 years for safety capex
- 2% premium for 7 - 10 years for capacity development capex
- 3% premium for 10 - 15 years for entry-capacity development capex
- Base rate and premium recognised on spending

Depreciation

- 50 years pipeline (vs. 40 years in previous periods)
- 20 years pressure reduction system (vs. 40 years in previous periods)
- 5 years for ICT system (vs. 10 years in previous periods)

Operating costs

- Actual cost of year 2008 increased by 50% of extra efficiency
- (RPI -X) applied only on commodity unit revenue
- X-factor determined to transfer extra efficiency in 8 years

Tariff

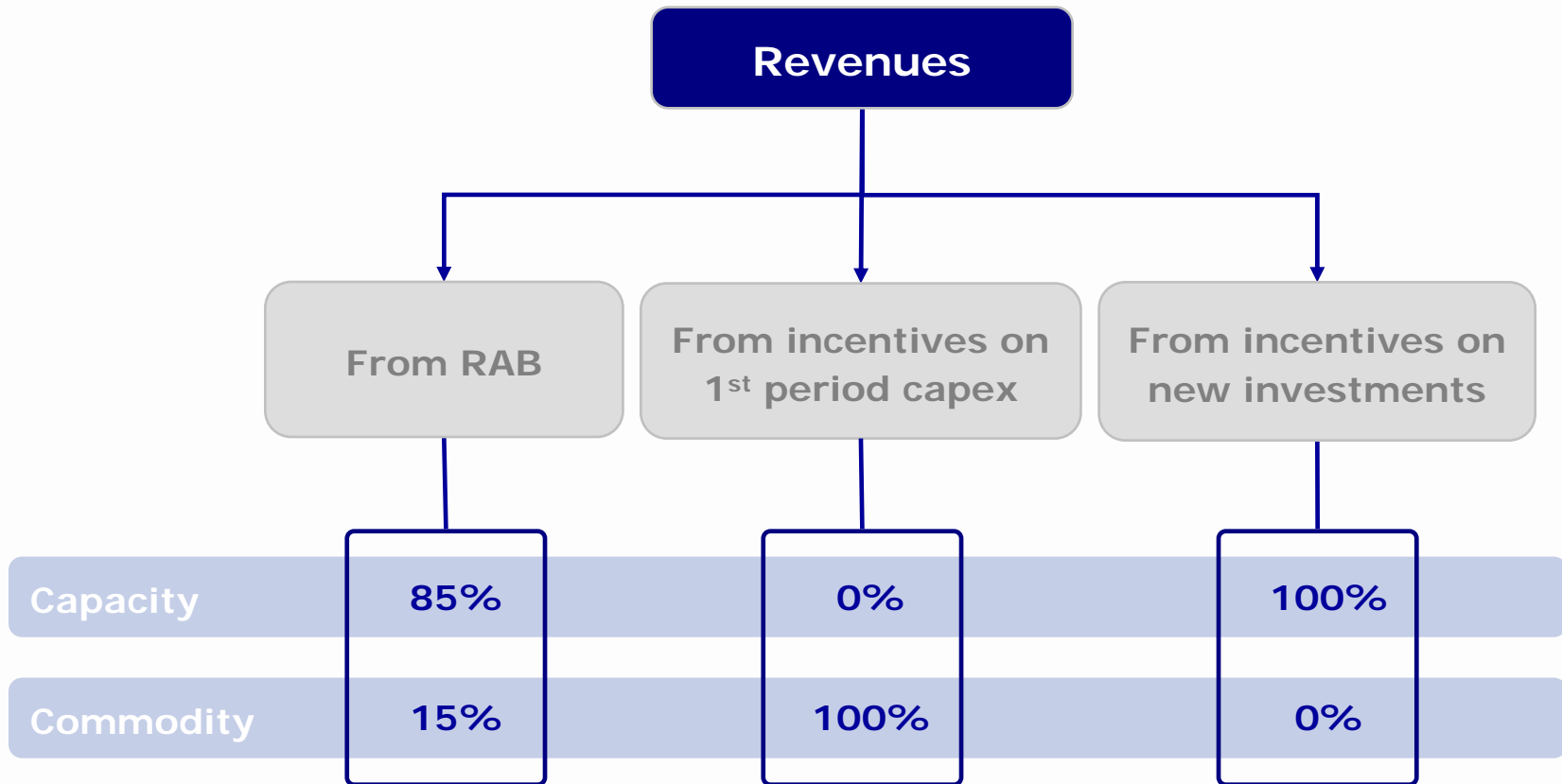
- Commodity reference volume: 75.7 bcm
- Entry/Exit tariff system confirmed

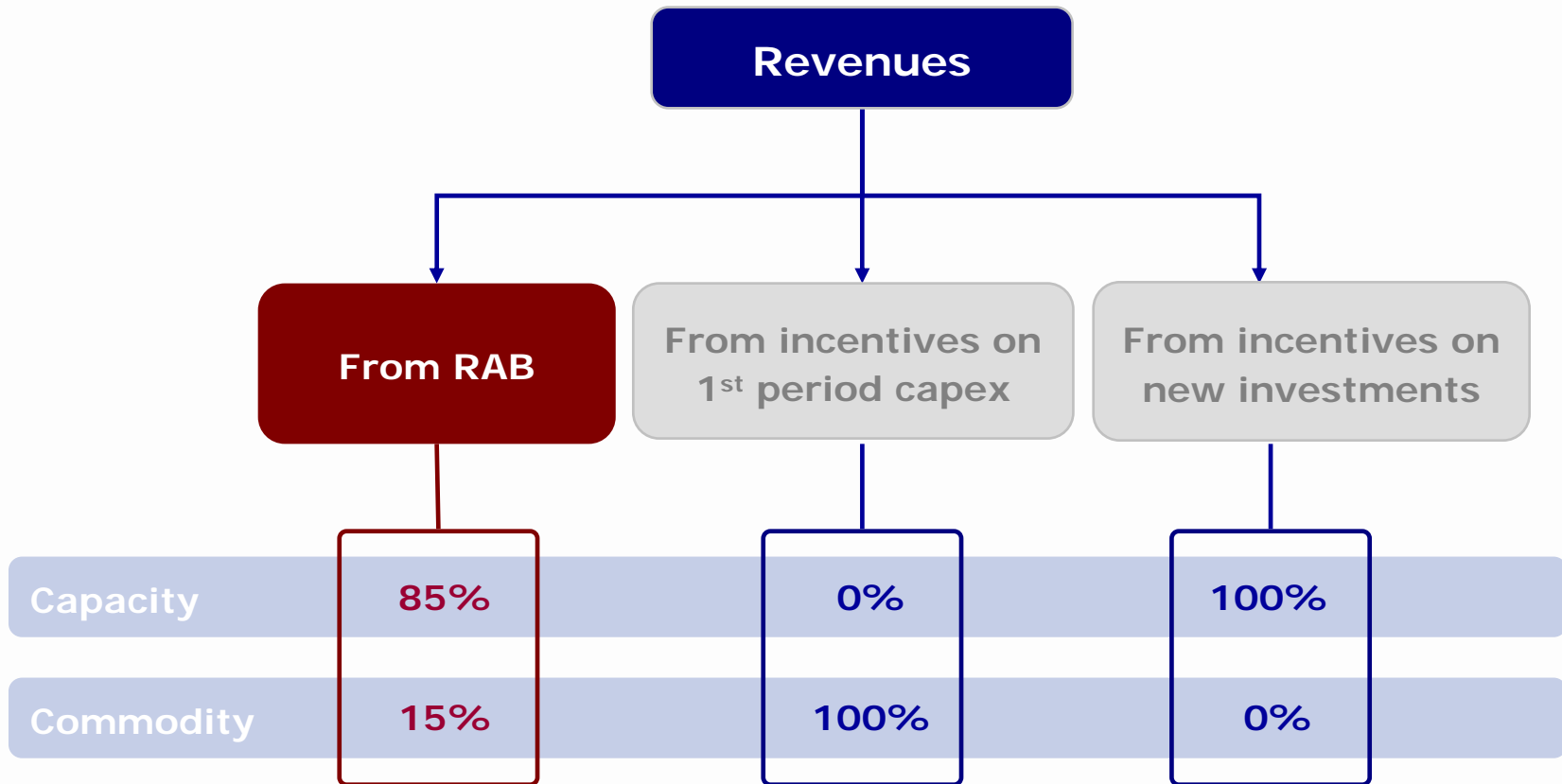
Tariff structure

Tariffs designed...

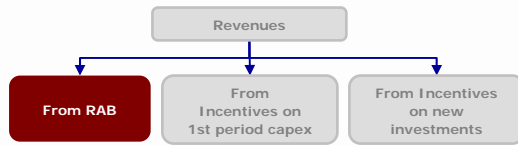
- Entry-Exit system
- Interruptible capacity
- Flexible capacity
- Incentives to gas export
- Metering charge

...to support the market





How the formula works



Step 1: Reference revenues

year 0

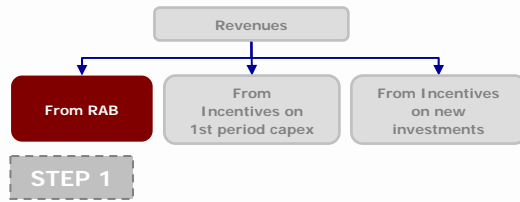
Step 2: First year revenues

year 1

Step 3: Roll revenues forward

year 2
to
year 4

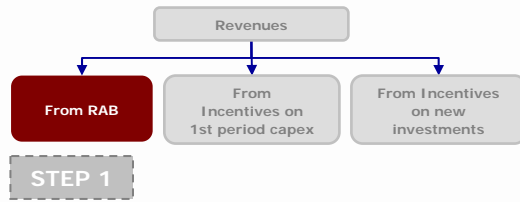
Reference revenues from RAB



	3 rd period	
RAB year 2008	12.806 €m	
Rate of return	6,4%	x
<ul style="list-style-type: none"> ▪ Allowed return on RAB ▪ Extra-return Inv. 2nd period ▪ Depreciation ▪ Opex 	820 €m 69 €m 565 €m 249 €m	= + + +
Reference revenues	1.703 €m (*)	=

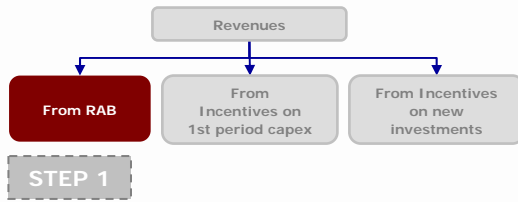


Regulatory Asset Base (RAB)



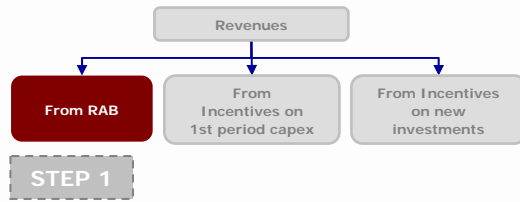
... 20% value growth

Allowed rate of return



	WACC
Risk free	4,40%
Beta levered	0,57
Market risk premium	4%
Cost of EQUITY	6,70%
Cost of debt	4,85%
Tax shield (irpeg)	27,5%
Net cost of DEBT	3,52%
Leverage (D/D+E)	44,4%
WACC nominal post-tax	5,3%
Inflation	1,5%
WACC real pre-tax	6,4%

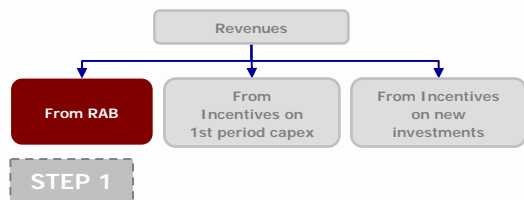
Depreciation



Depreciation derivation	
Gross asset value 2008 (*)	21.426 €m
Technical asset life	
▪ Pipes	50 years
▪ Buildings	40 years
▪ Compression stations	20 years
▪ Pressure reduction system	20 years
▪ ICT system	5 years
▪ Others	10 years
Depreciation year 2008	565 €m



Operating costs

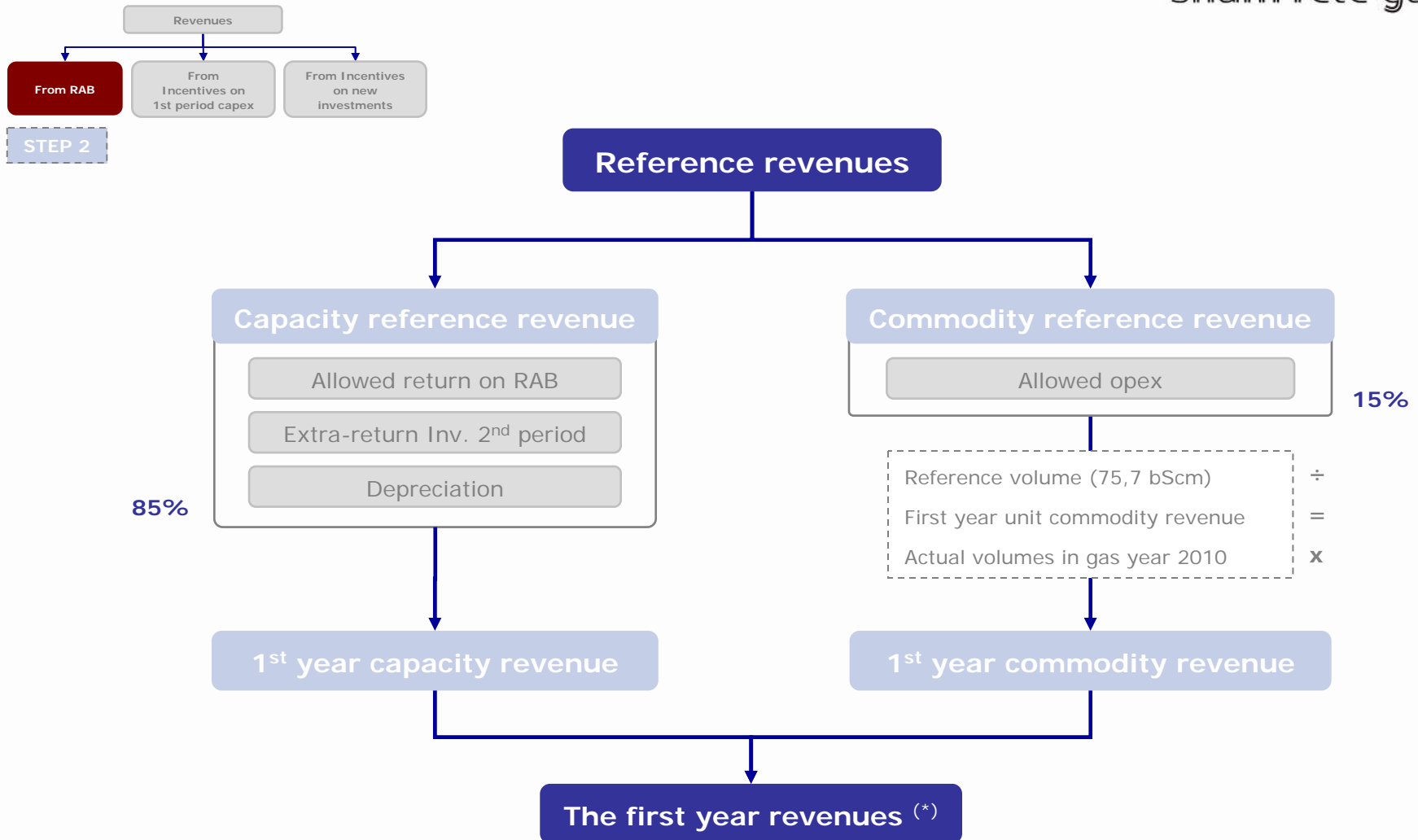


Opex derivation (*)

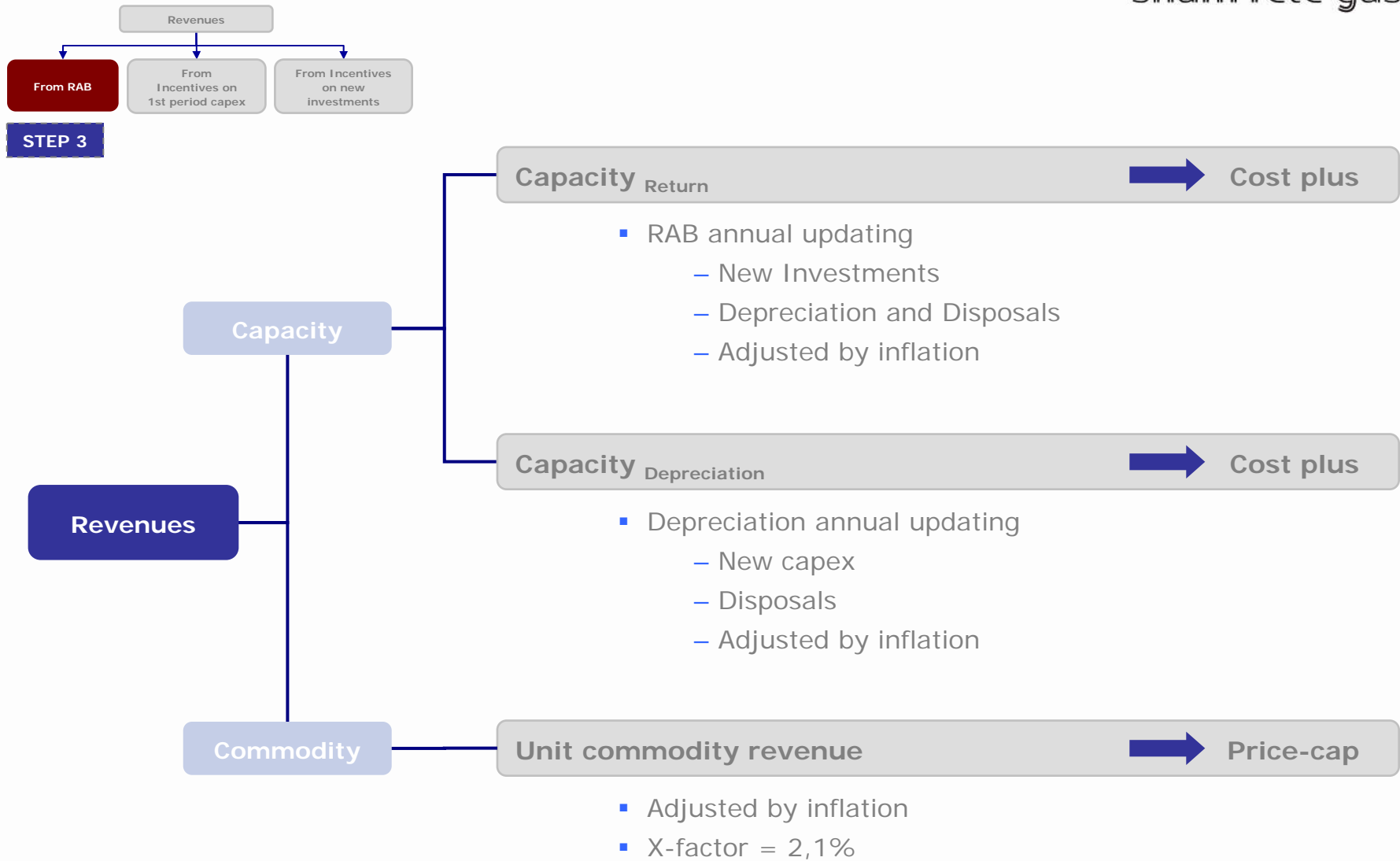
Allowed opex year 2004	285,5 €m
Allowed opex year 2008	299,7 €m
Actual opex year 2008	206,5 €m
Claw-back (50%)	46,6 €m
3 rd period allowed opex	248,8 €m

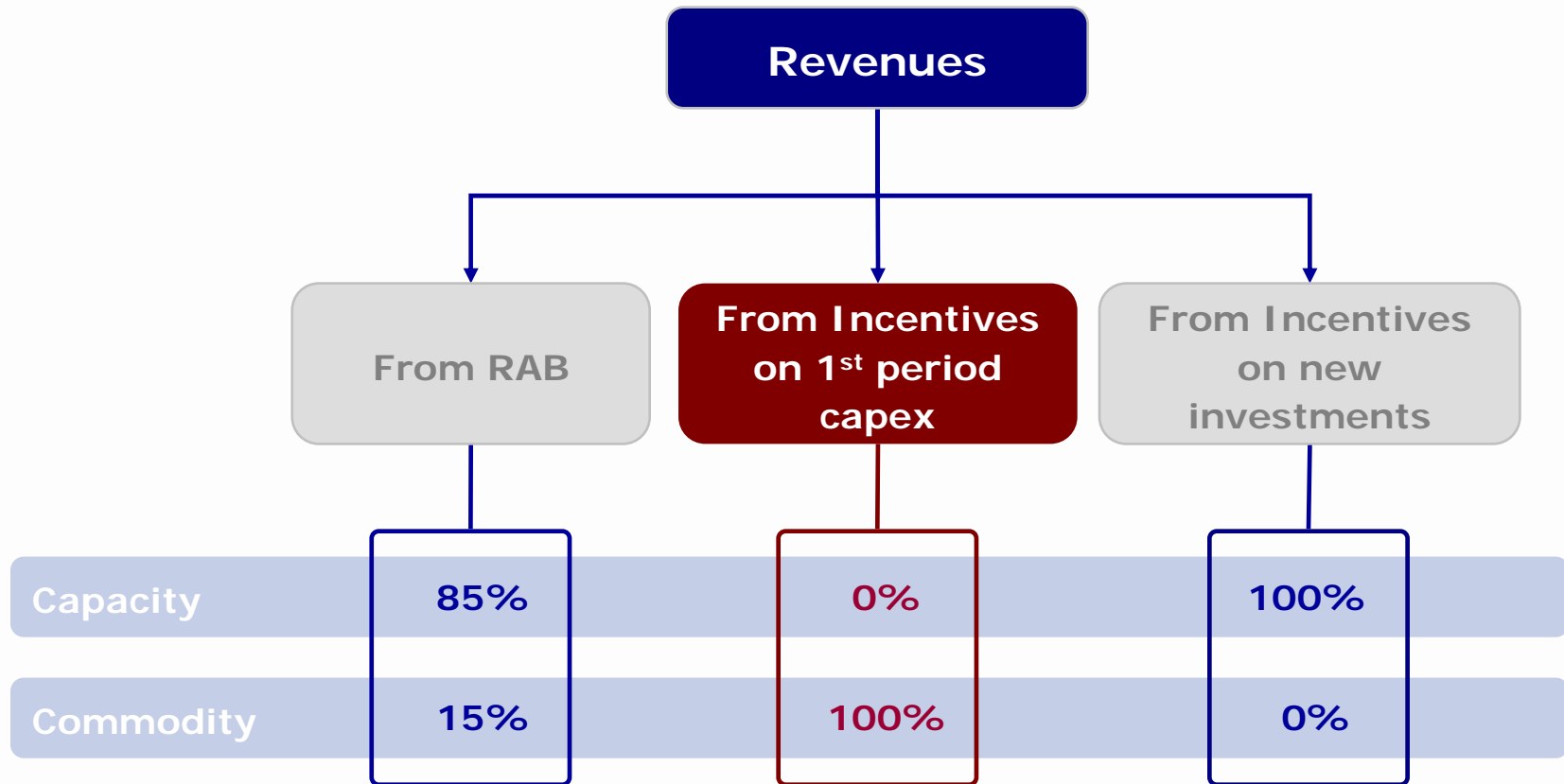


First year revenues from RAB

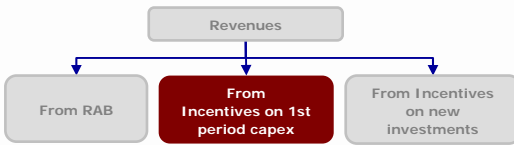


Revenues from RAB updating





How the formula works



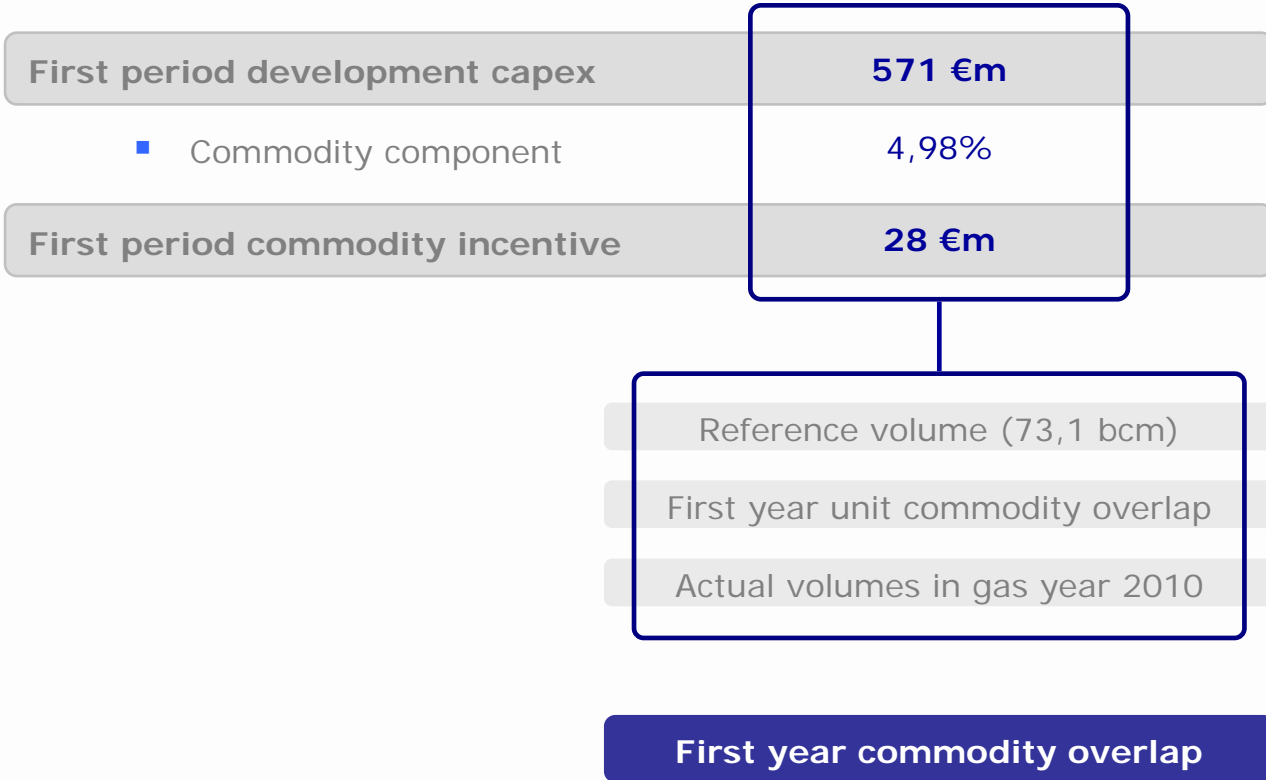
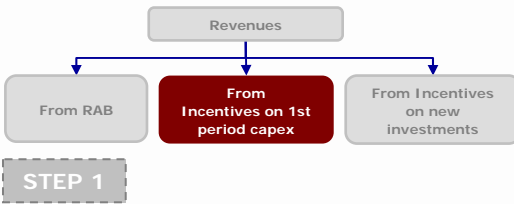
Step 1: First year revenues

year 1

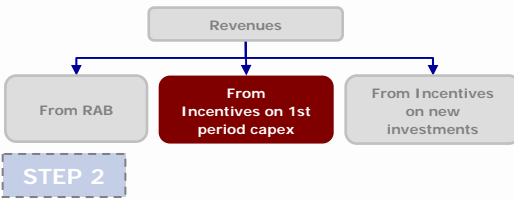
Step 2: Roll revenues forward

year 2
to
year 4

Development capex revenues overlap: 1st year



Development capex revenues overlap: updating

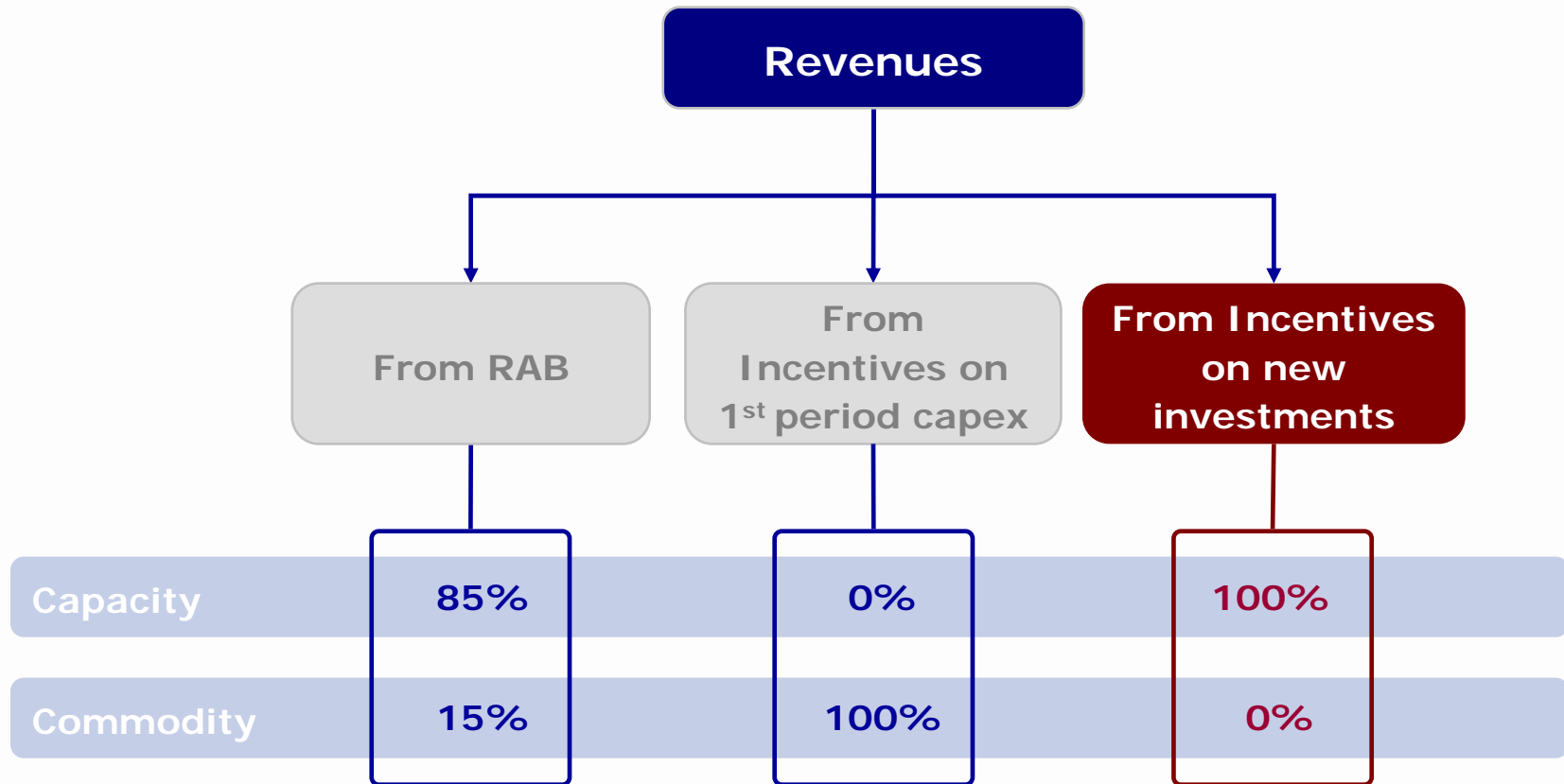


Unit commodity overlap

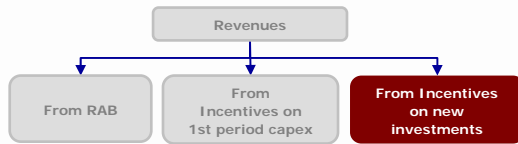


No adjustment

- Lasts 6 years from year of capitalization
- Capex incentives expire in year 2011
- Revenues from unit commodity overlap determined by market growth vs reference volume (73,1 bcm)



How the formula works



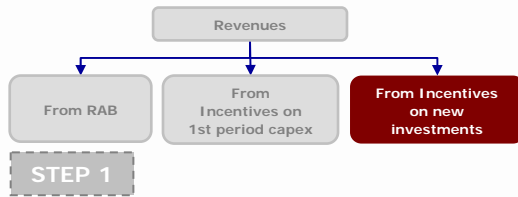
Step 1: First year revenues

year 2

Step 2: Roll revenues forward

year 3
to
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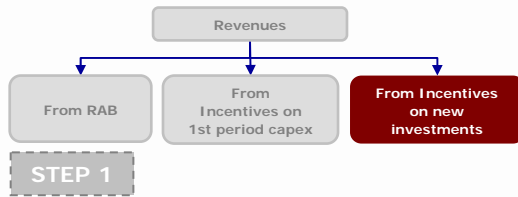
Revenues from new investments



Different investment categories

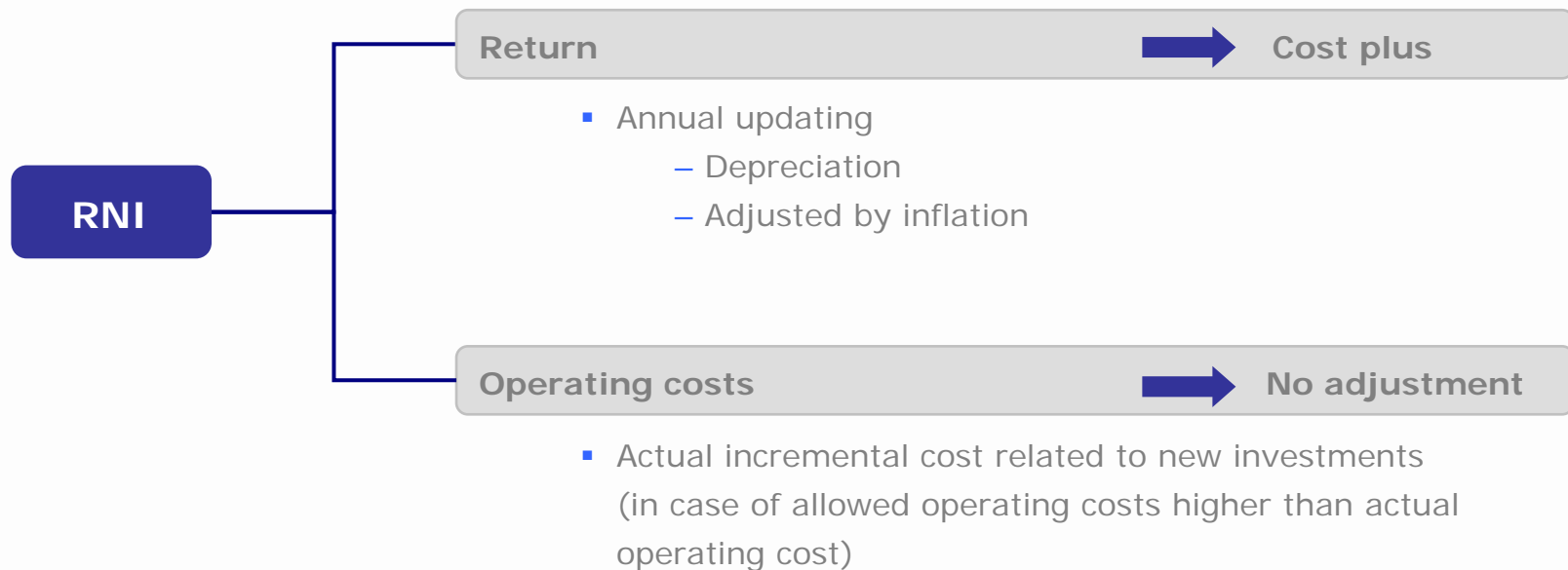
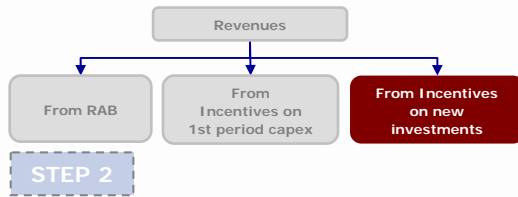
- T1: maintenance
- T2: safety, quality and market support
- T3: development of regional network
- T4: Development of national network
- T5: Development of national network for import
- T6: Development on entry capacity at border

Revenues from new investments - 1st year



Base return and Depreciation are included in the capacity revenues related to RAB

Revenues from new investments - updating



Note: in the third regulatory period, RAB and depreciations are yearly updated according to new capitalizations

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Transport Business-

Regulatory framework for 2010-2013 period

