

# snam rete gas



Transport Business-

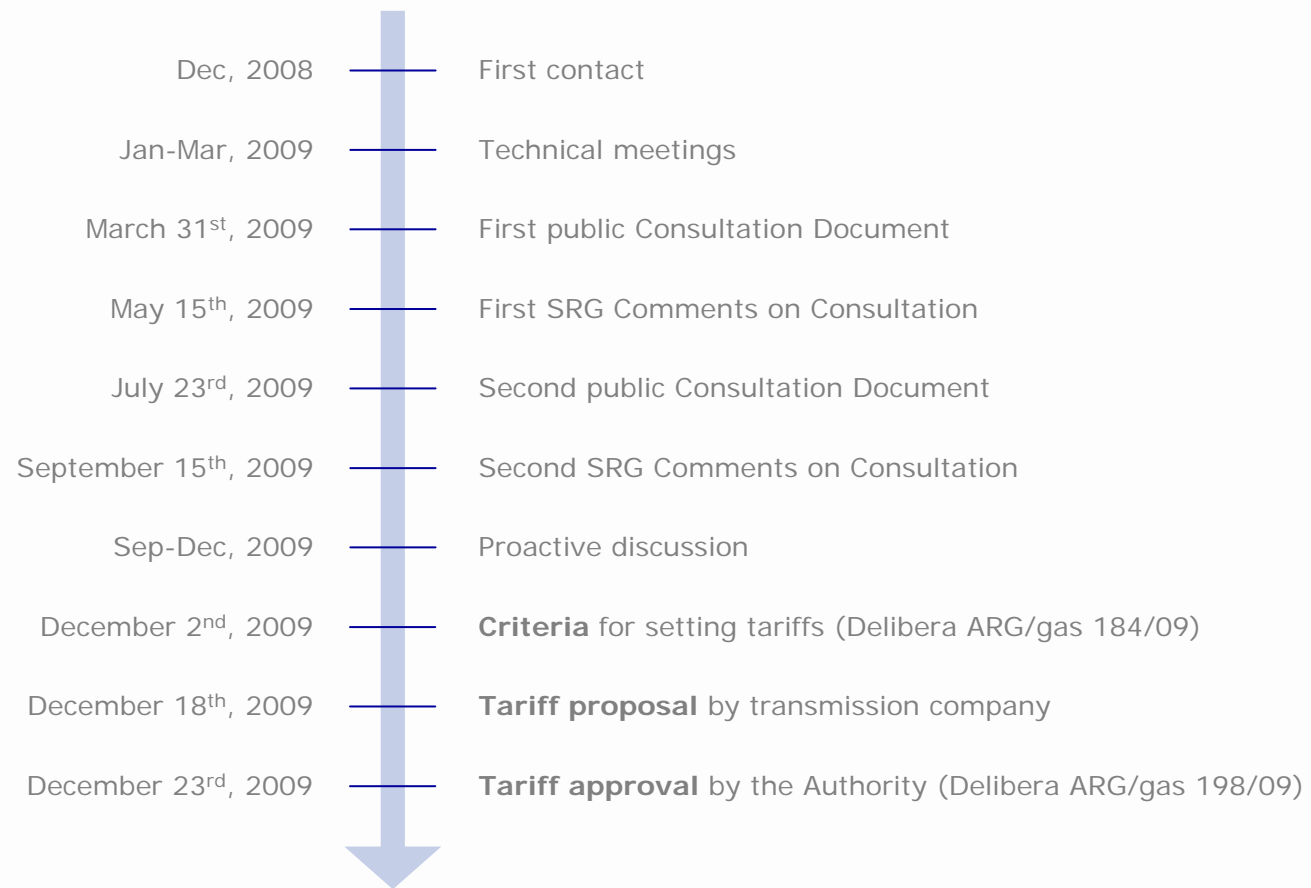
Regulatory framework for 2010-2013 period

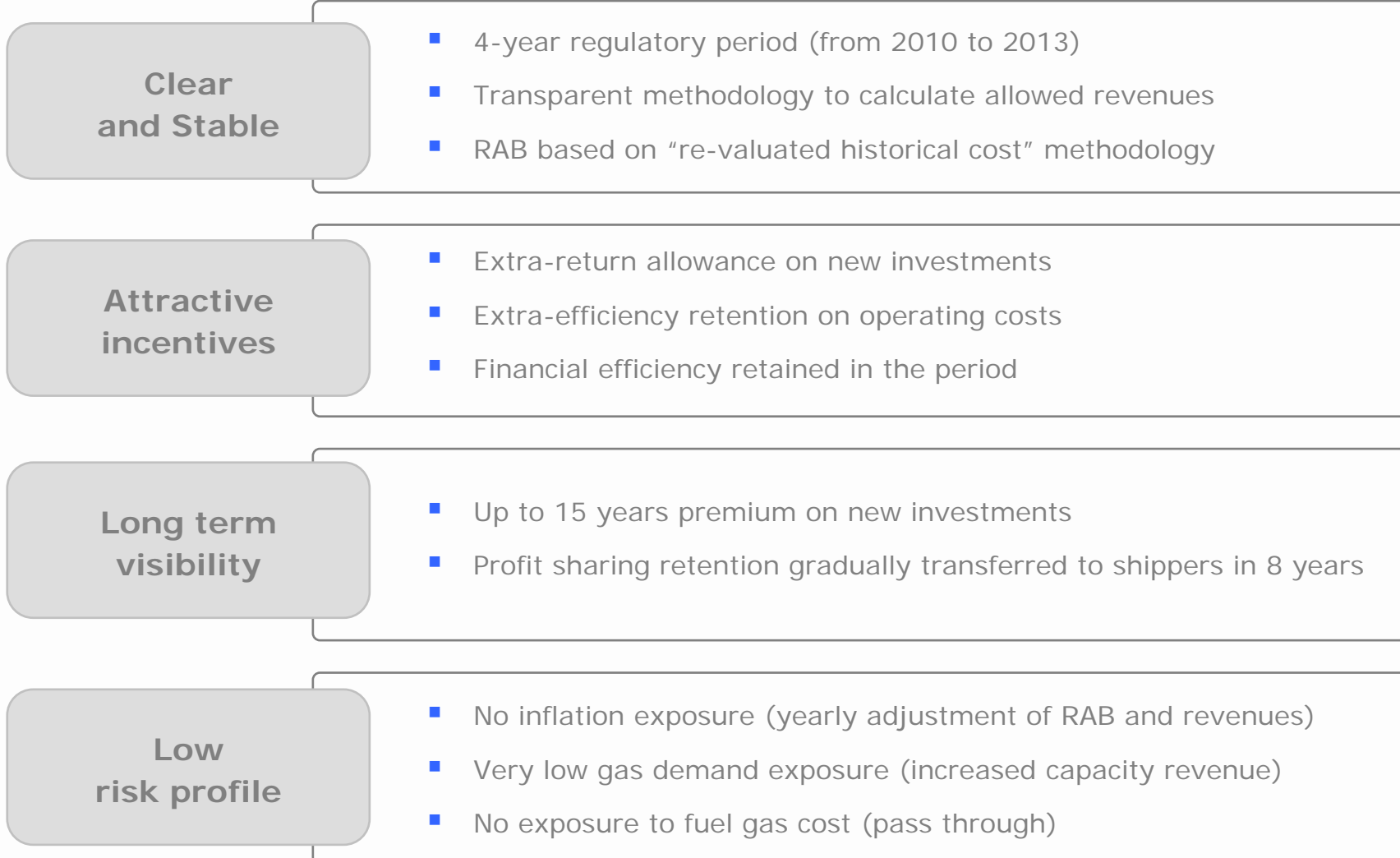


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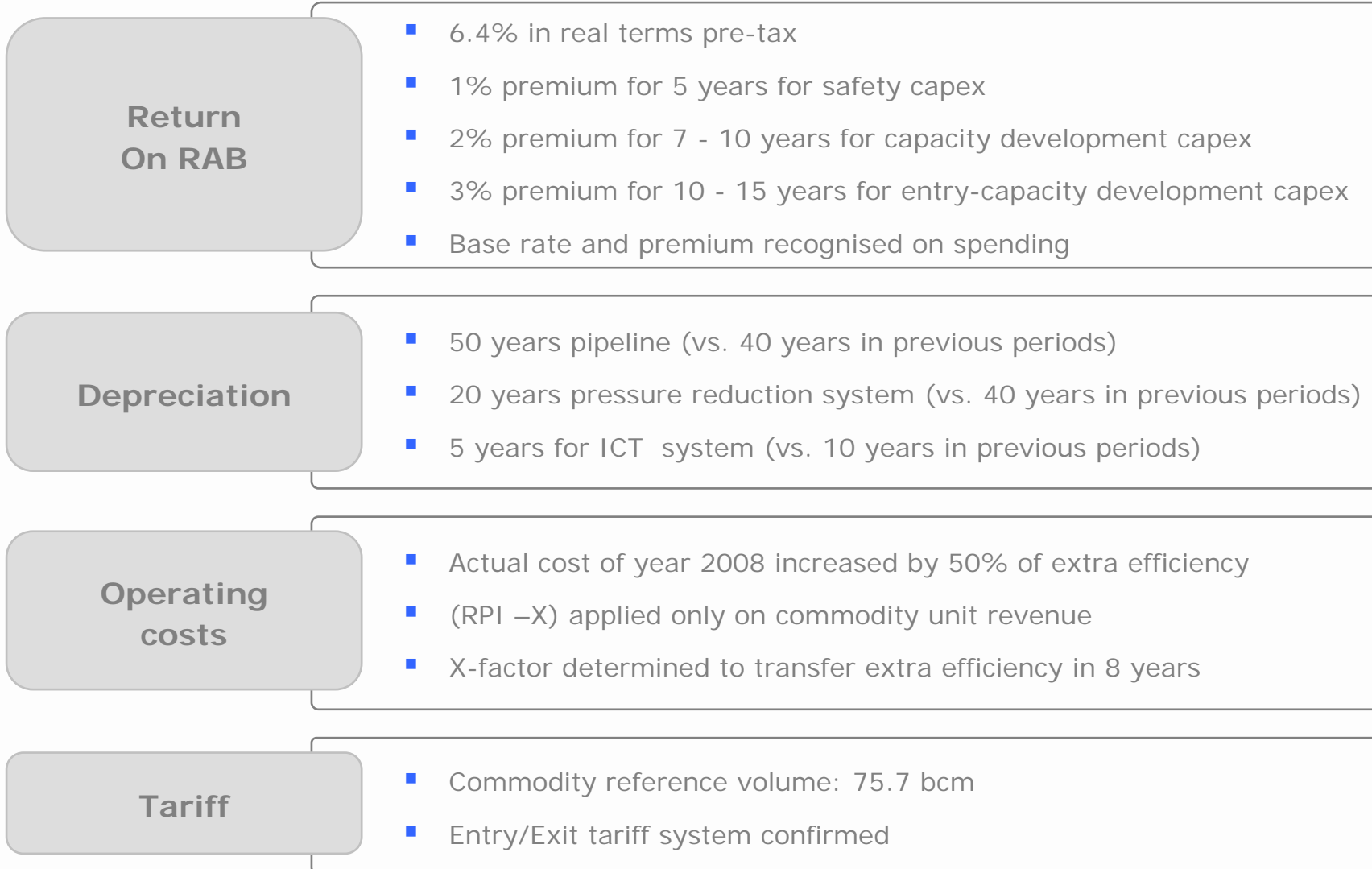
## The regulatory review process

*Continuous contacts...*





# Main figures

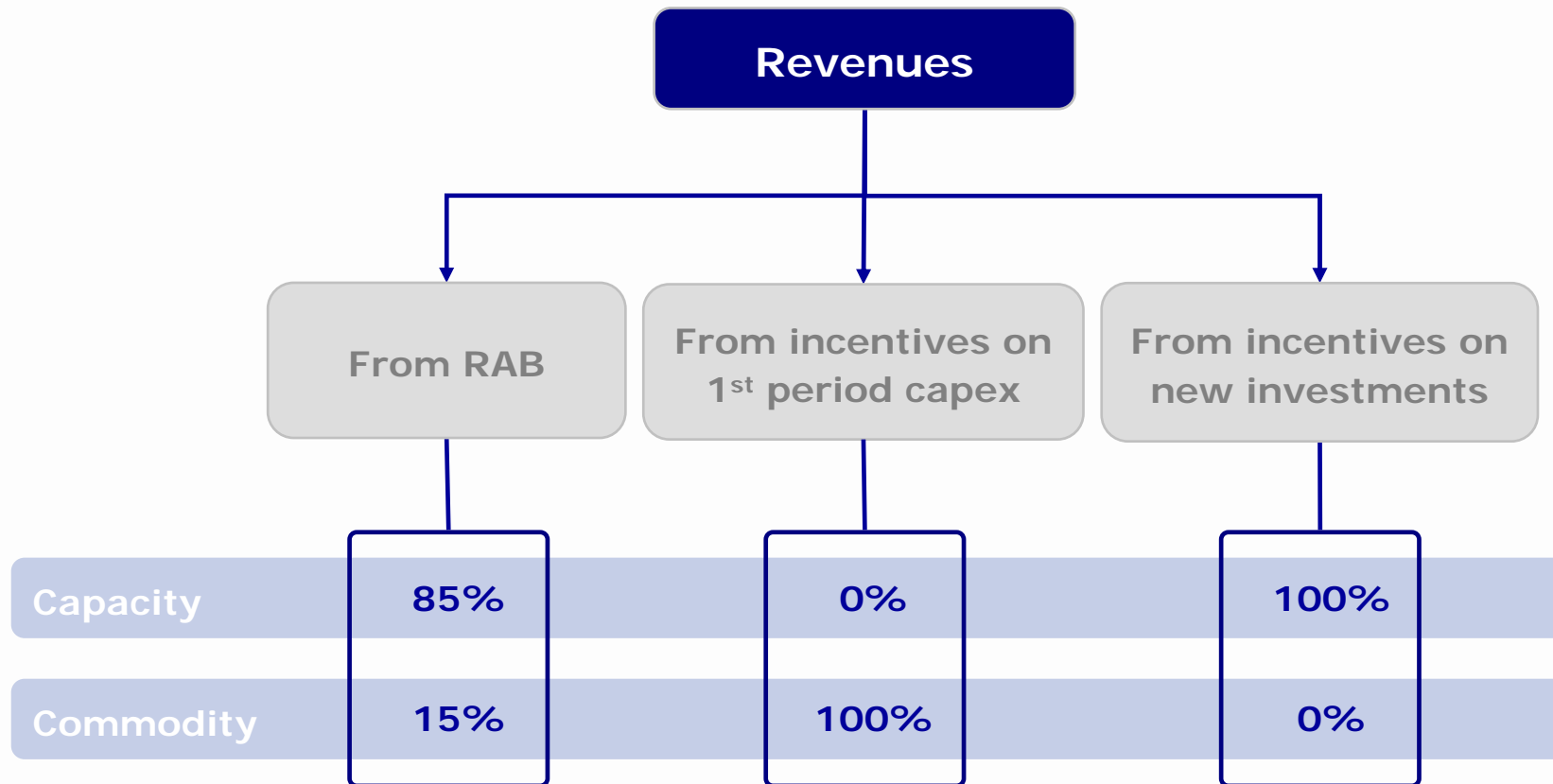


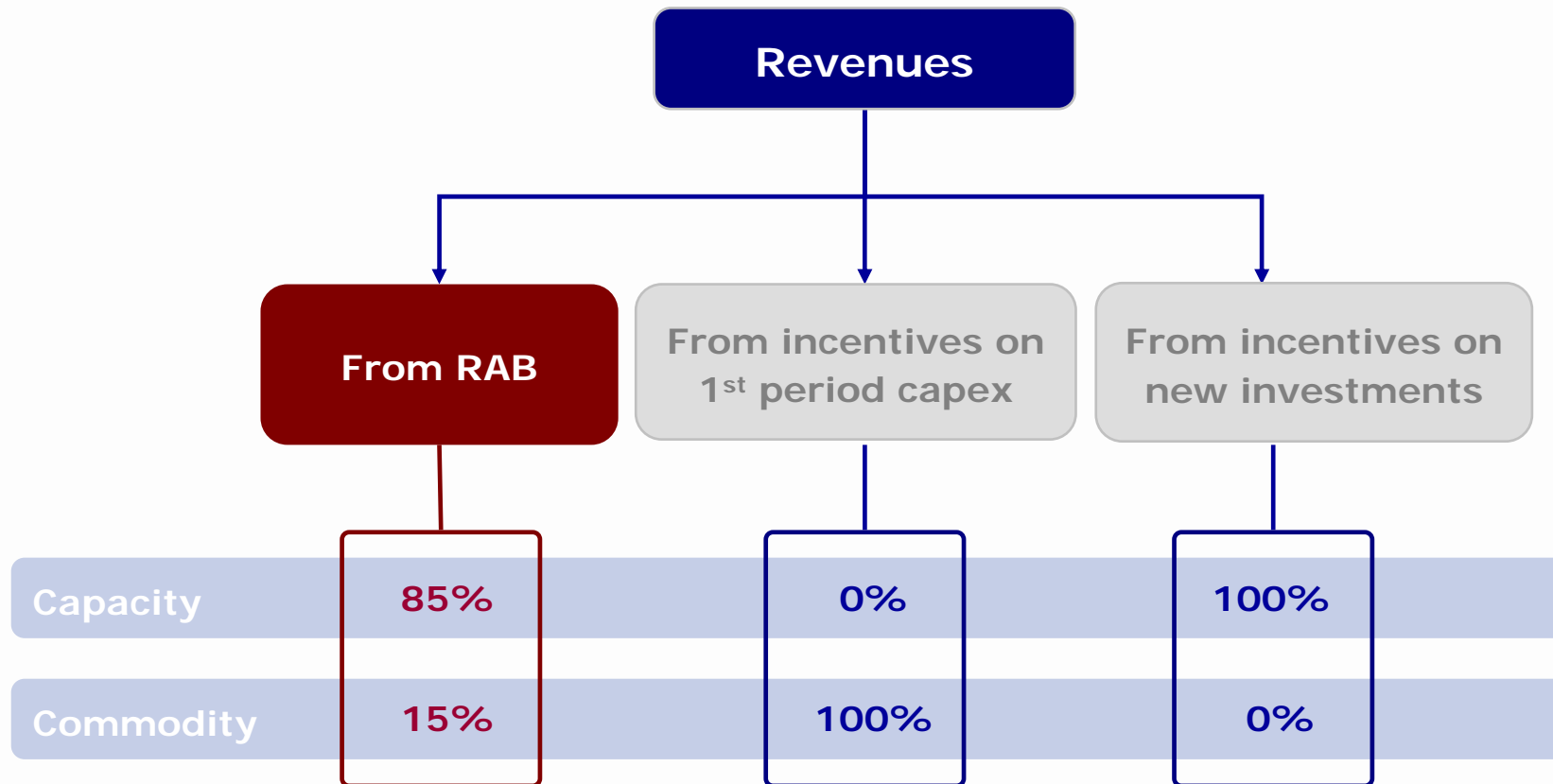
## Tariff structure

*Tariffs designed...*

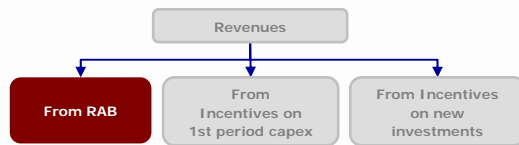
- Entry-Exit system
- Interruptible capacity
- Flexible capacity
- Incentives to gas export
- Metering charge

*...to support the market*





# How the formula works



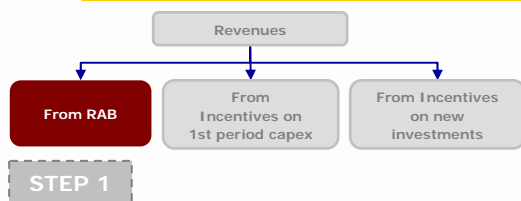
Step 1: Reference revenues year 0

Step 2: First year revenues year 1

Step 3: Roll revenues forward year 2 to year 4



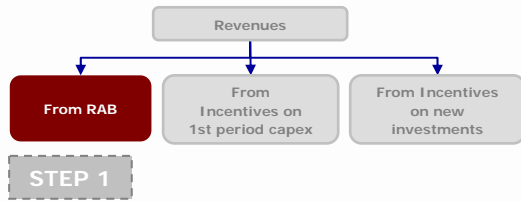
# Reference revenues from RAB



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



# Regulatory Asset Base (RAB)

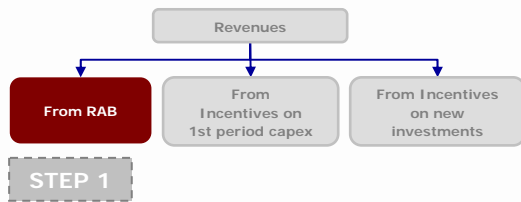


	<b>RAB derivation</b>	
<b>Second period opening RAB</b>	<b>10.660 €m</b>	} Adjustment by inflation
+ Maintenance & Development capex (2.636 €m)		
+ Work in progress 2008 (841 €m)		
+ Working capital (179 €m)		
- Depreciation and Disposals		
<b>Third period RAB year 2008</b>	<b>12.806 €m</b>	

... 20% value growth



# Allowed rate of return



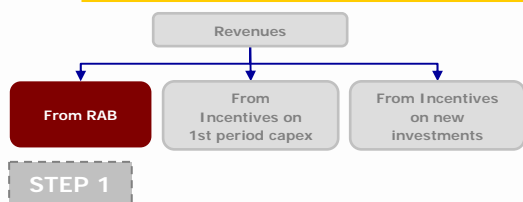
	WACC
Risk free	4,40%
Beta levered	0,57
Market risk premium	4%
<b>Cost of EQUITY</b>	<b>6,70%</b>
Cost of debt	4,85%
Tax shield (irpeg)	27,5%
<b>Net cost of DEBT</b>	<b>3,52%</b>
Leverage (D/D+E)	44,4%
WACC nominal post-tax	5,3%
Inflation	1,5%
<b>WACC real pre-tax (*)</b>	<b>6,4%</b>



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(\*) Parameters to be confirmed by AEEG technical report

# Depreciation



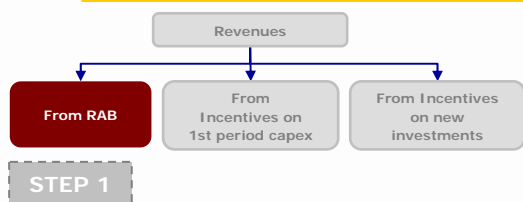
	Depreciation derivation
<b>Gross asset value 2008 (*)</b>	<b>21.426 €m</b>
Technical asset life <ul style="list-style-type: none"> <li>▪ Pipes</li> <li>▪ Buildings</li> <li>▪ Compression stations</li> <li>▪ Pressure reduction system</li> <li>▪ ICT system</li> <li>▪ Others</li> </ul>	50 years 40 years 20 years 20 years 5 years 10 years
<b>Depreciation year 2008</b>	<b>565 €m</b>



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(\*) Net of fully depreciated assets and working progress

# Operating costs



## Opex derivation (\*)

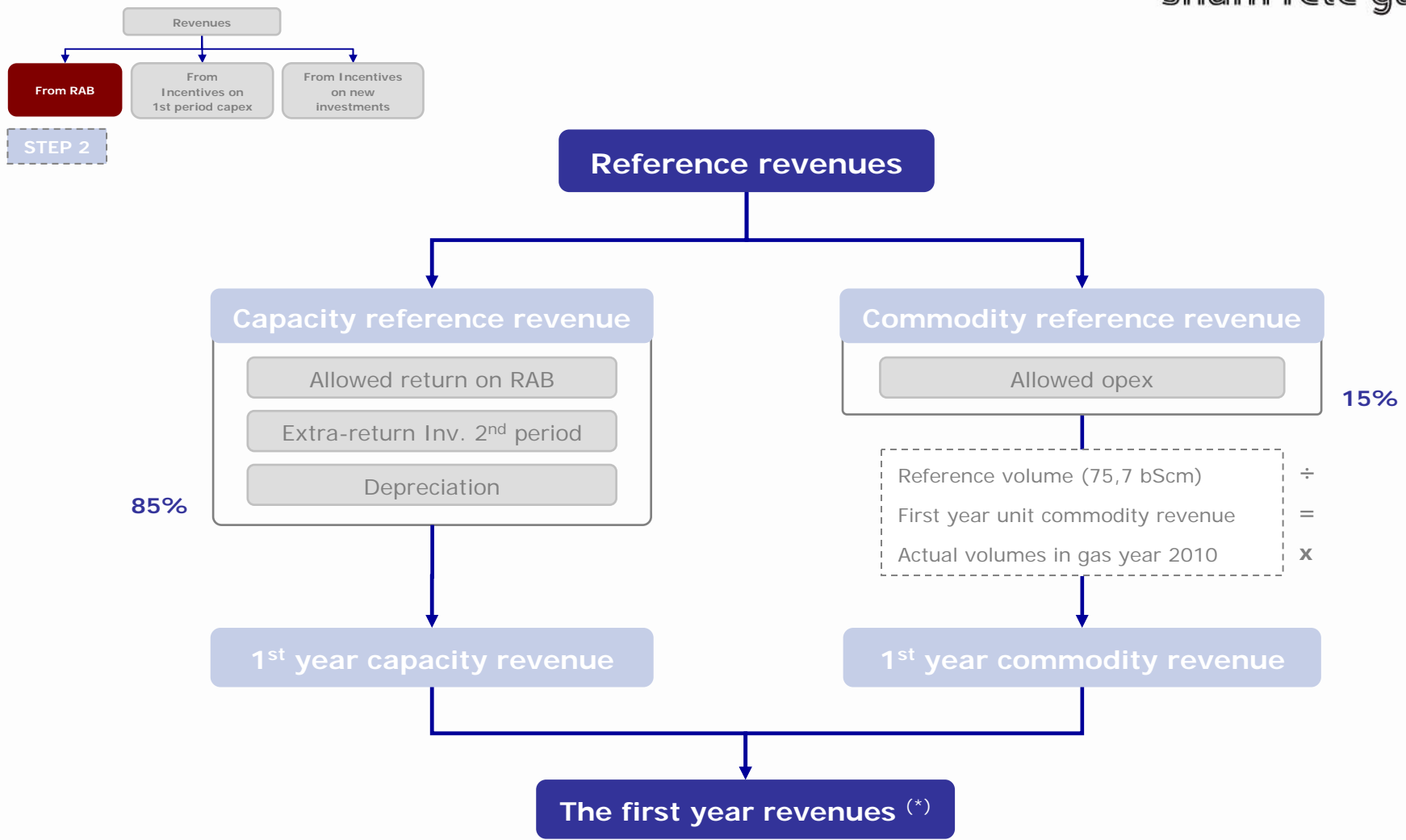
Allowed opex year 2004	285,5 €m
Allowed opex year 2008	299,7 €m
Actual opex year 2008	206,5 €m
Claw-back (50%)	46,6 €m
3 <sup>rd</sup> period allowed opex	248,8 €m



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(\*) Net of costs related to fuel gas

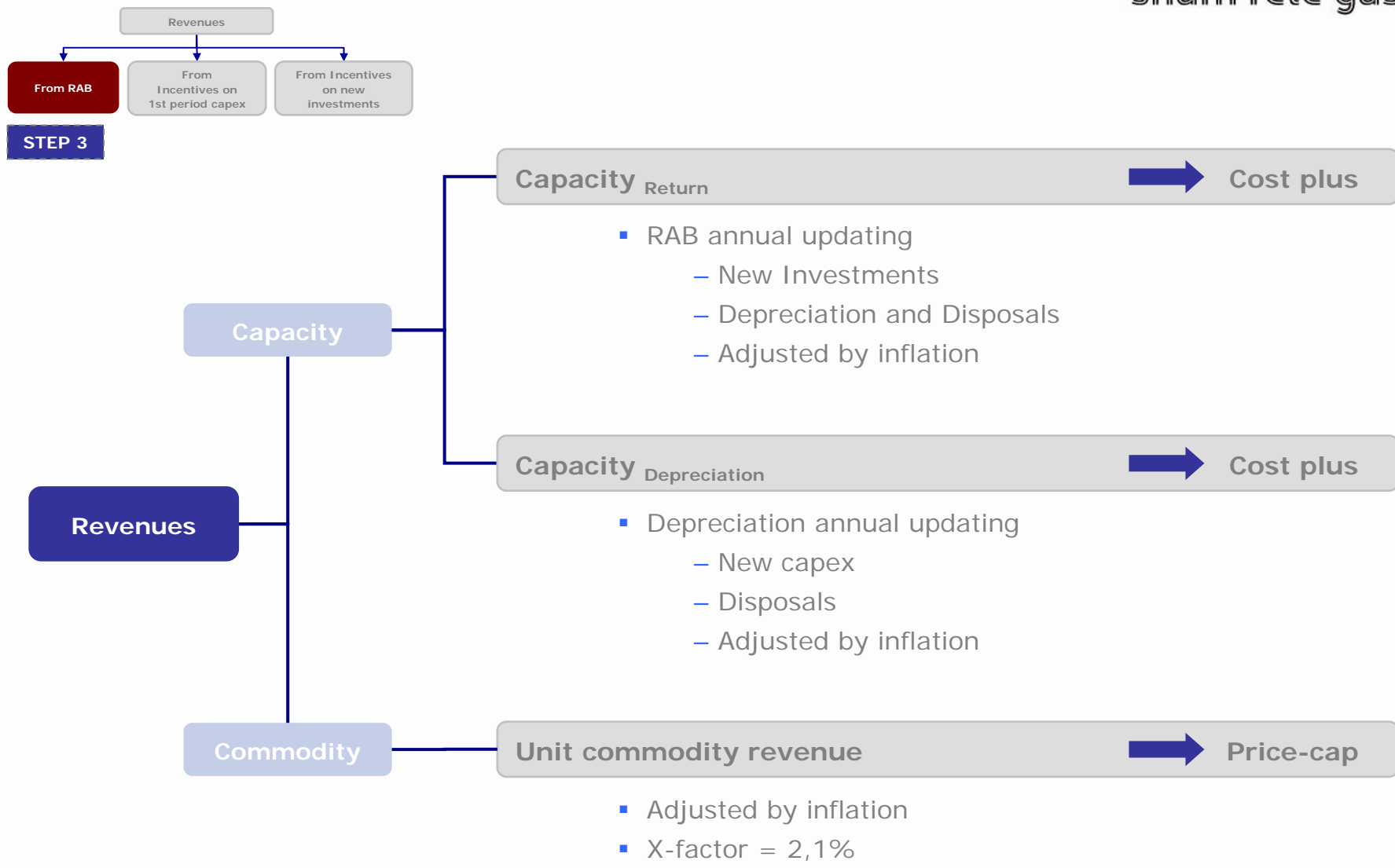
# First year revenues from RAB

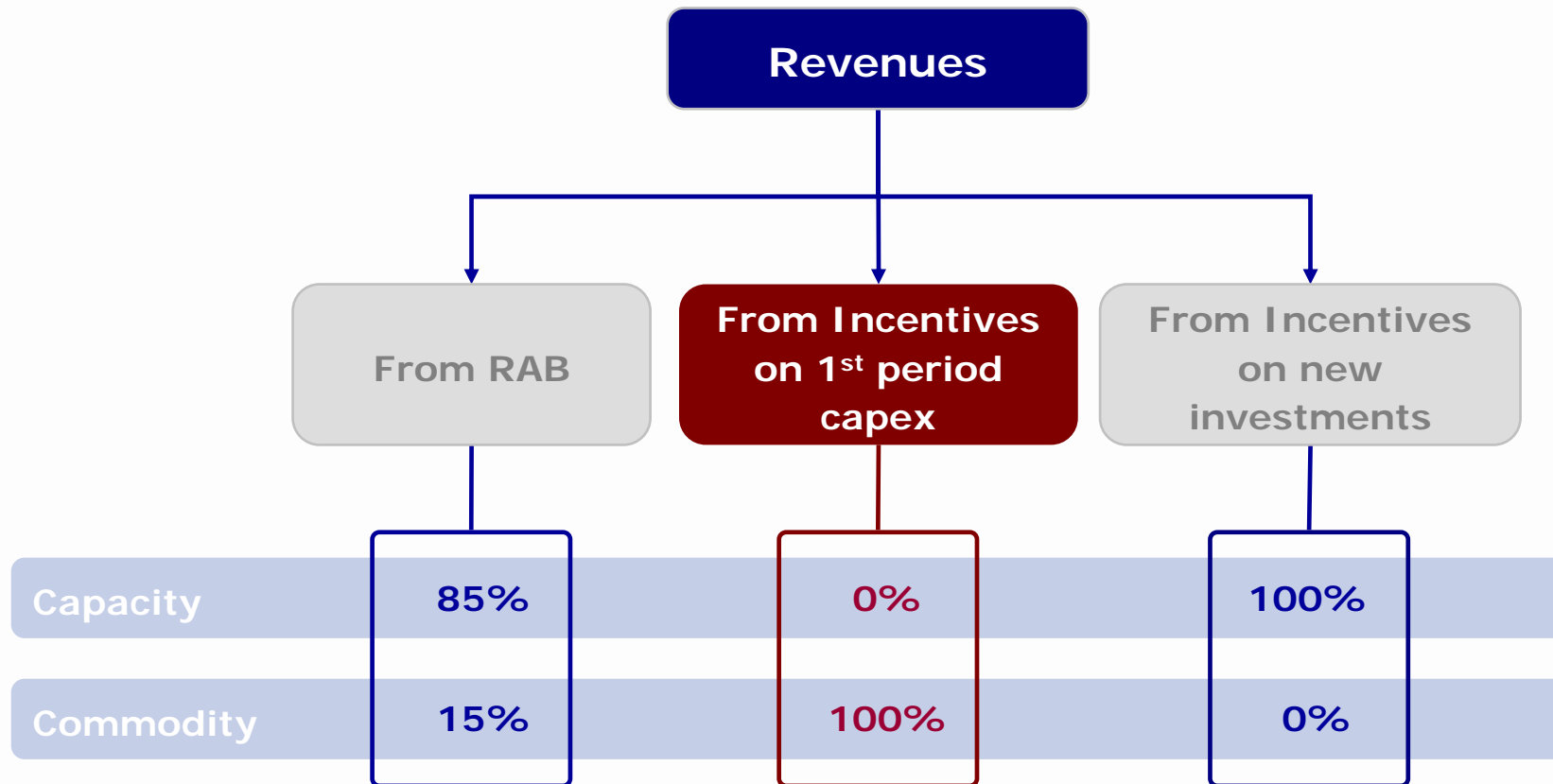


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(\*) Net of revenues for modulation service (RA) and fuel gas

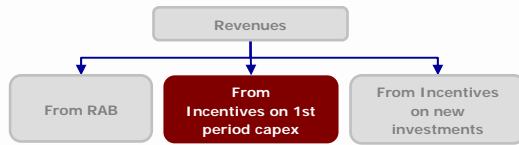
# Revenues from RAB updating







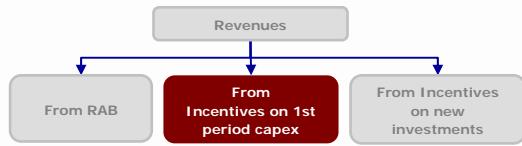
# How the formula works



Step 1: First year revenues year 1

Step 2: Roll revenues forward year 2  
to  
year 4

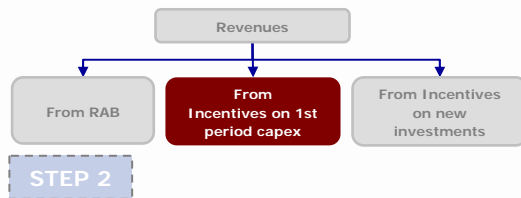
# Development capex revenues overlap: 1<sup>st</sup> year



STEP 1



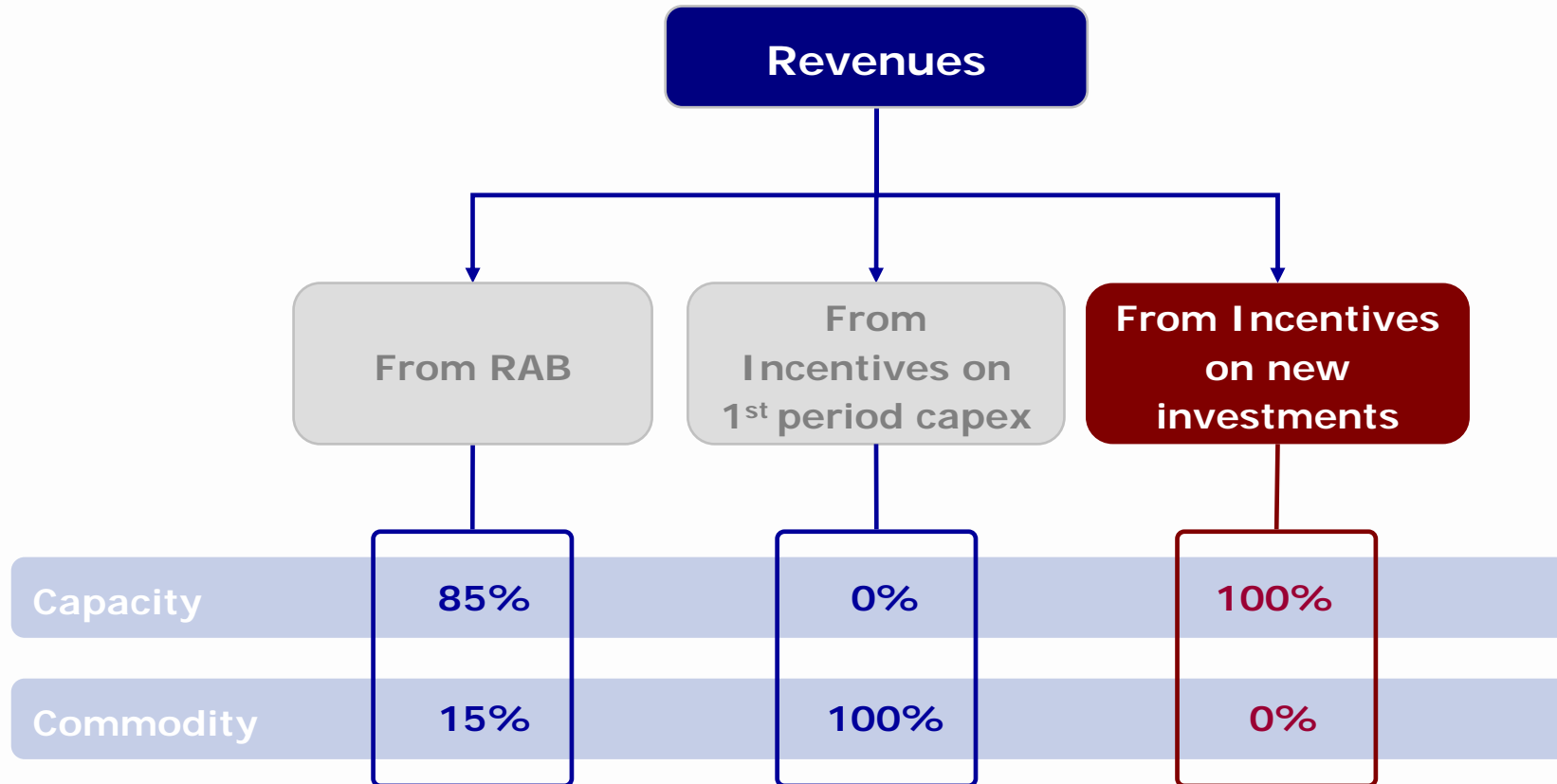
# Development capex revenues overlap: updating



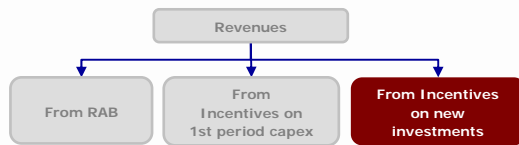
Unit commodity overlap → No adjustment

- 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)





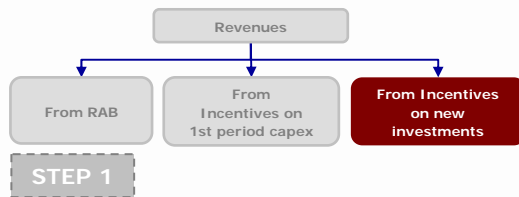
# How the formula works



Step 1: First year revenues year 2

Step 2: Roll revenues forward year 3  
to  
year 4

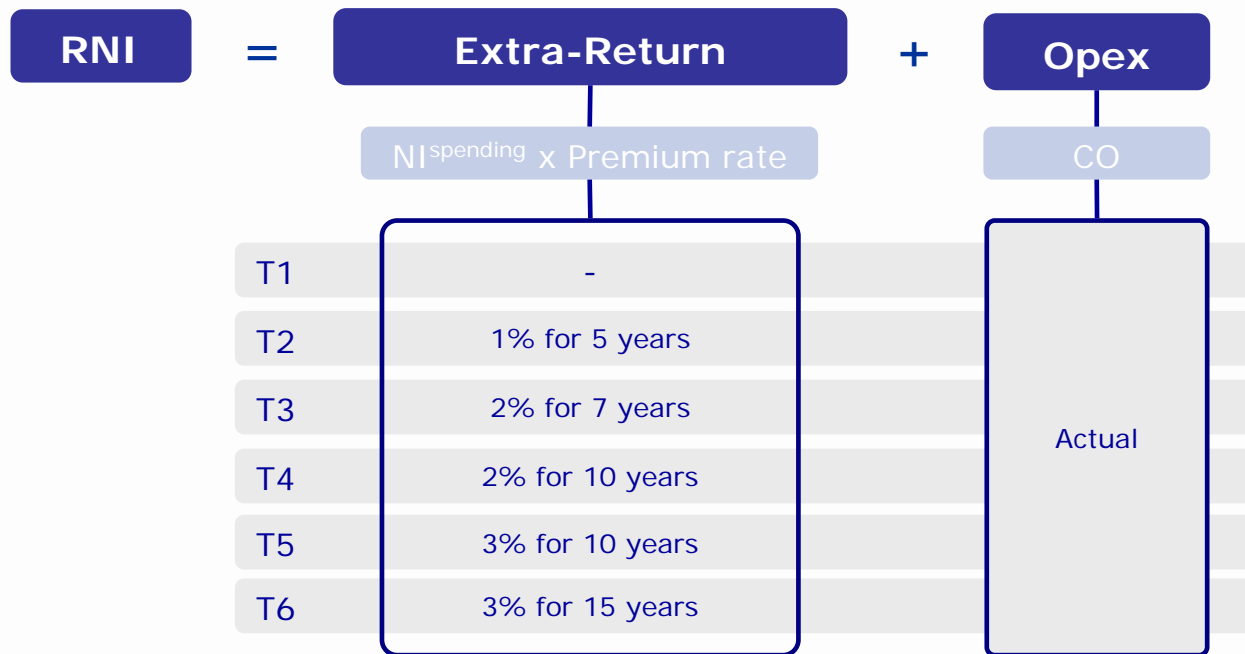
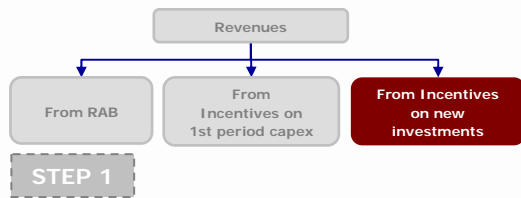
# Revenues from new investments



## 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

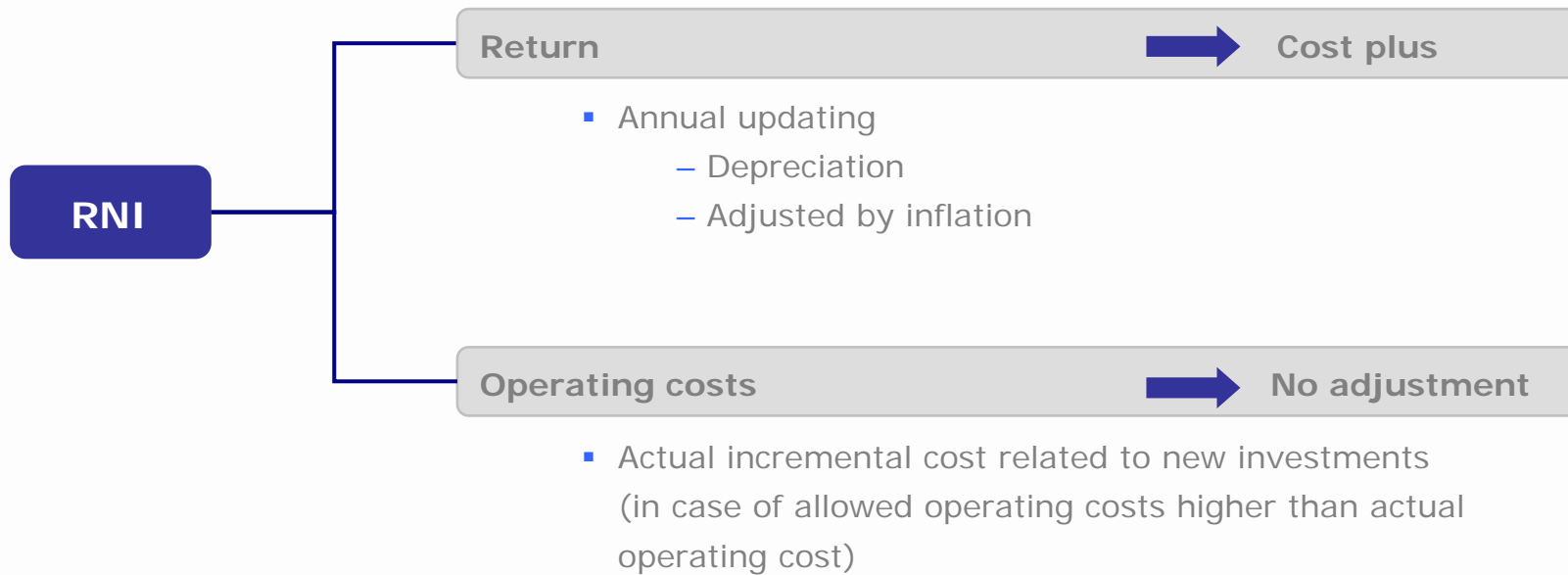
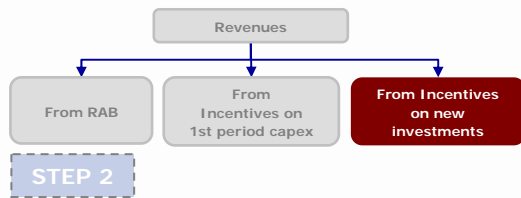
# Revenues from new investments - 1<sup>st</sup> year



**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



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