

2008-2011: new regulatory period for electricity distribution, metering and commercial activities

January 14, 2008

The new regulatory framework

**Resolution
348/07**

- Distribution and metering tariffs for 2008-2011

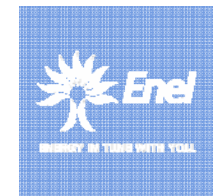
**Resolution
349/07**

- Recognized revenues for commercial activities related to “protected customers”

**Resolution
333/07**

- Quality of service regulation for 2008-2011

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- ✓ **Clear and stable regulatory scenario**
 - ✓ **New challenges and opportunities**



Clear and stable regulatory scenario

Impact on revenues

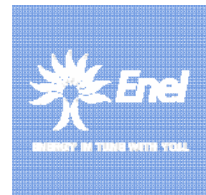
- Reduction of 2008 tariffs fully balanced by volume increase
- Slight revenue increase for 2009-2011

Profit sharing

- Profit sharing effects balanced by other regulatory items:
 - ✓ increase in depreciation thanks to new investments, old meters treatment and digital meters useful life reduction
 - ✓ 2008 vs. 2007 volume increase
 - ✓ increase of commercial activities price

X-factor

- Reduction for the period 2008-2011
- New mechanism based on achieved efficiencies



New challenges and opportunities

Liberalisation

- Higher tariff for commercial activities to promote liberalisation
- Higher value of customers on the free market

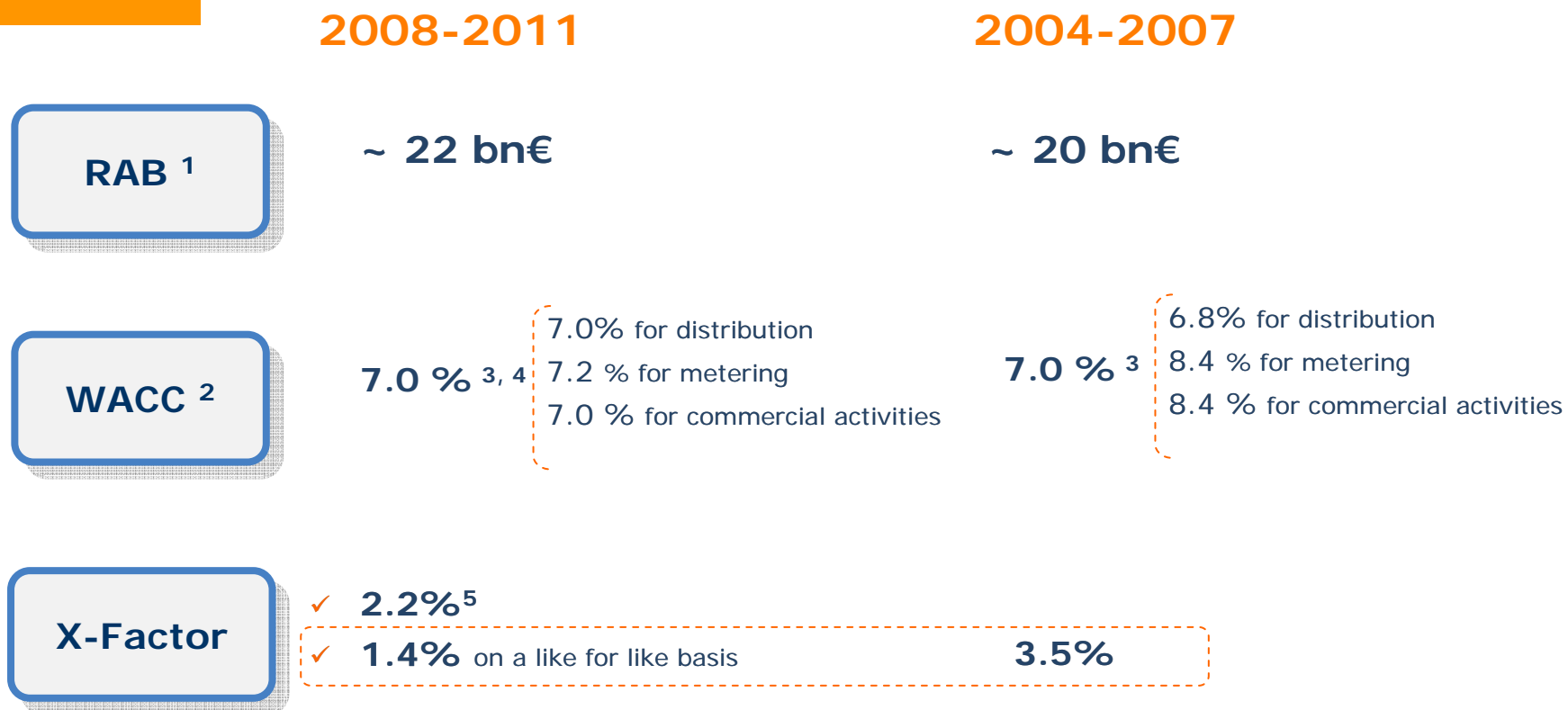
Quality of service

- New regulation to enhance continuity of service, including reduction of number of interruptions
- Innovative actions to be implemented to confirm the good track-record in outperforming standards

Investment incentives

- 2% extra-return for minimum 8 years on specific investments, with regard to quality and efficiency:
 - ✓ new sub-stations in specific areas (e.g. Southern Italy)
 - ✓ new technologies (low losses transformers and smart grids)

The new regulatory framework: key metrics



1. Starting RAB for distribution, metering and commercial activities
2. Real pre-tax
3. Weighted WACC = $WACC_d \cdot RAB_d + WACC_m \cdot RAB_m + WACC_c \cdot RAB_c$
4. Plus 2% extra return on specific investments (for minimum 8 years)
5. Applied only to opex and equal to weighted average of 1.9% (Distribution) and 5.0% (Metering)

Commercial activities regulation

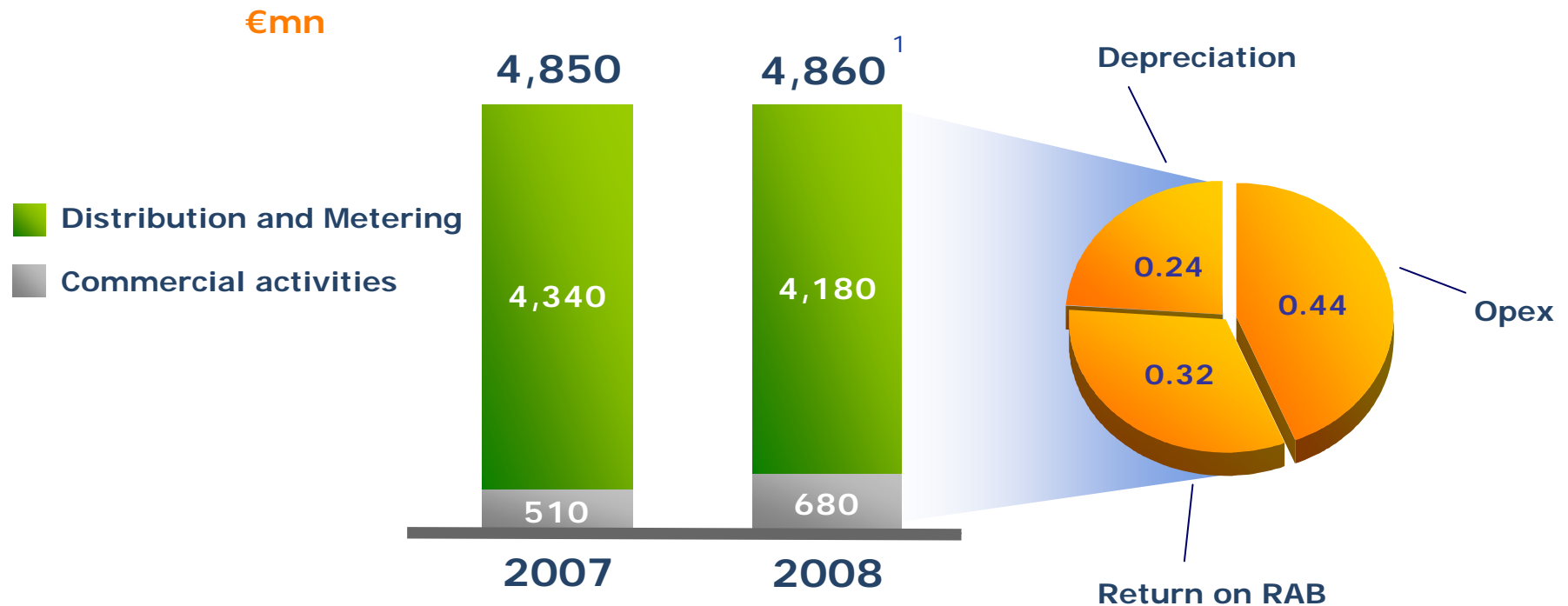
Compensation mechanism

- Mechanism introduced by the Regulator to compensate 2008 unbalances between revenues and costs in excess of 5%

Revenues evolution

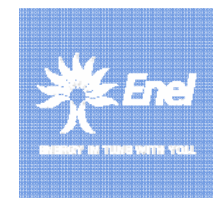
- Reduced impact of larger customers switching to the free market thanks to €/customer indexation of tariff
- New mechanism to be set by the Regulator to guarantee fixed costs coverage in presence of significant switching of customers to the free market

2008 estimated tariff revenues

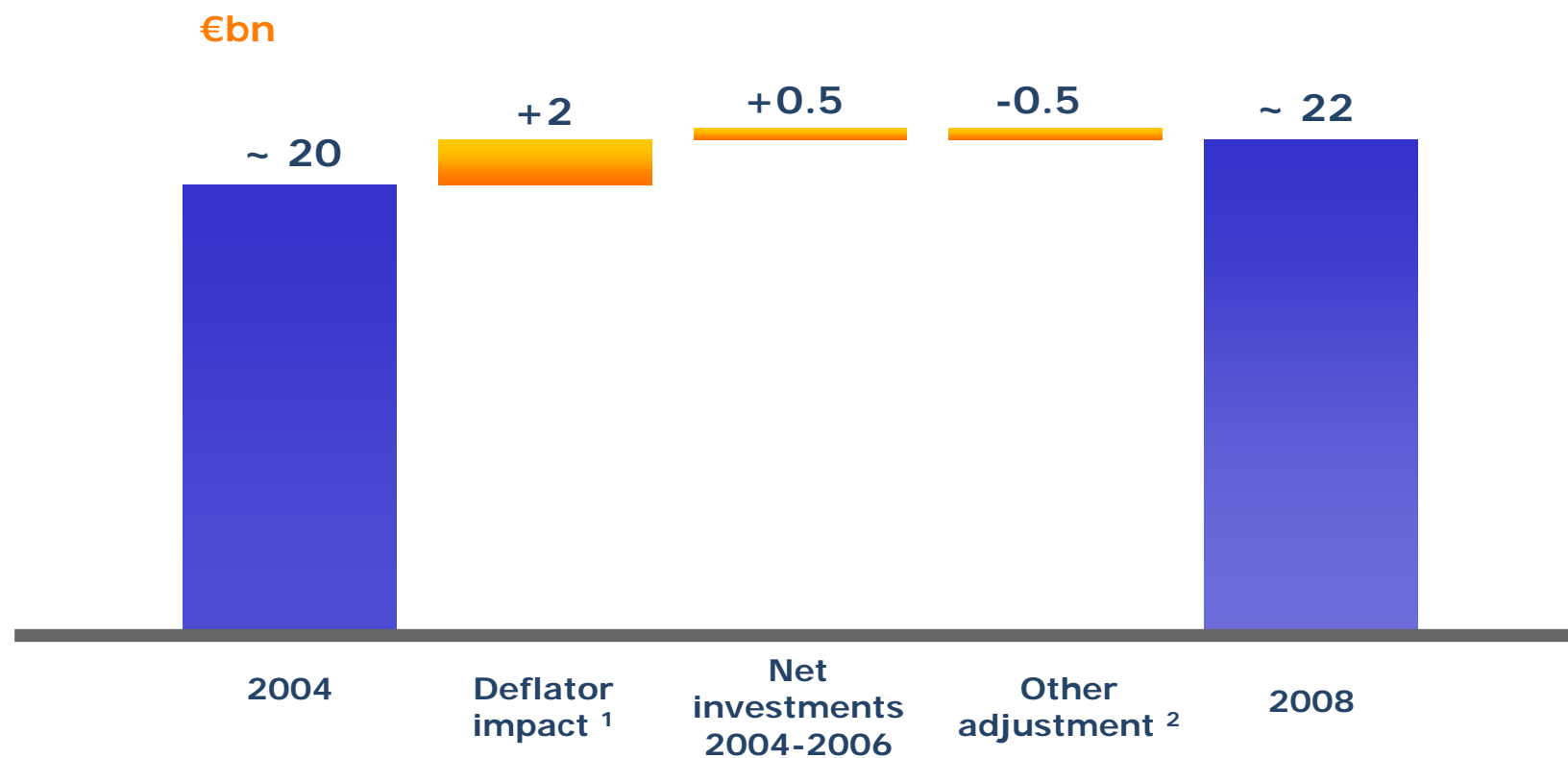


Source Enel

1. Including volume effect



Estimated RAB evolution

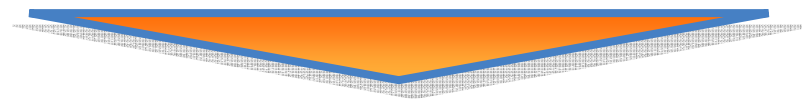


Source Enel

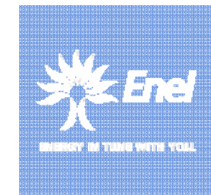
1. From IIQ03 to IQ07
2. Mainly disposals, change in pension fund, change in provisions

Closing remarks

- Clear and stable framework
- Investment in digital meters acknowledged
- General framework in line with Enel commercial strategy on the free market



- ✓ **No effects on 2008 figures**
- ✓ **Positive impacts on 2009-2011 figures**



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