Business segment operating performance

SNAM INFRASTRUCTURE IN ITALY

NATURAL GAS TRANSPORTATION

ENTRY POINTS
REVERSE FLOW 8

COMPRESSION STATIONS 13

PIPELINES UNDER OPERATIONS

NATURAL GAS STORAGE

OPERATING CONCESSIONS 9

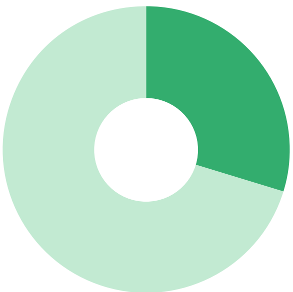
LNG REGASIFICATION

REGASIFICATION PLANT 1

Natural gas transportation

32,625 km
Operating gas pipeline network

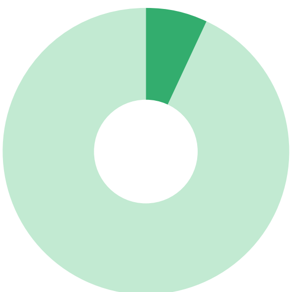
National network
9,697 km



Regional network
22,928 km

72.82 bn m^3
Gas injected in the national network

National production
5.12 bn m^3



Gas imported
67.70 bn m^3

SNAM'S PRESENCE IN TRANSMISSION IN ITALY

Through the subsidiaries Snam Rete Gas and Infrastrutture Trasporto Gas, Snam is the leading Italian natural gas transportation and dispatching operator, and owns almost all of the transportation infrastructure in Italy, with 32,625 kilometres of high- and medium-pressure gas pipelines (approximately 93% of the entire transmission system). Snam manages the gas pipeline network via 8 districts, 48 maintenance centres throughout Italy, 13 compression stations, including the two new plants of Minerbio and Sergnano that were commissioned in 2018, and a new dispatching unit that has been recently renovated in terms of structure and technology. The gas coming from abroad is fed into the network at the seven import channel, corresponding to the interconnections with the import pipelines and LNG regasification terminals. Once it has been imported or regasified, the gas is transported to the local distribution networks, the regional network redelivery points or large end users such as thermoelectric power stations or manufacturing plants.

Snam awards transportation capacity to applicant shippers. In this way, users acquire the right to feed or withdraw, on any day of the thermal year, a quantity of gas not exceeding the daily flow rate. The conditions for access to the service are contained in the Network Code. The shippers have the possibility to make sales and gas exchanges at a Virtual Trading Point (PSV) of the National Network, thanks to the dedicated IT platform.

In 2018, the average transport capacity offered at entry points interconnected with foreign countries and with LNG terminals was 360.8 million cubic metres/day; in addition to this capacity, Snam has made transport capacities available at entry points interconnected with national producers for a total of 19.2 million cubic metres average/day and with the production of biomethane for a total of 0.1 million of cubic metres average/day.

During the last 15 years, transport operators have grown steadily, going from 30 operators in 2003 to around 200 operators in 2018 (between shippers and traders), with 136 customers (+6.7% compared to 2017).

In 2018, 88 connection contracts were signed for the construction of new delivery/redelivery points or the upgrading of existing points, of which 14 were for biomethane injection and 43 for CNG.

KEY PERFORMANCE INDICATORS

The segment disclosure Natural gas transmission includes the values of the companies Snam Gas Network and Infrastrutture Trasporto.

(€ million)	2016	2017	2018	Change	% change
Total revenue [(a)]	2,035	2,039	**2,118**	79	3.9
- of which regulated revenue [(a)]	*1,999*	*1,981*	***2,041***	*60*	*3.0*
Total revenue net of pass-through items [(a)]	1,815	1,874	**1,984**	110	5.9
Operating costs [(a)]	469	452	**479**	27	6.0
Adjusted operating costs [(a)] [(b)]	469	441	**462**	21	4.8
Adjusted operating costs net of pass-through items [(a)]	249	276	**328**	52	18.8
EBIT	1,021	1,037	**1,064**	27	2.6
Adjusted EBIT [(b)]	1,021	1,048	**1,081**	33	3.1
Technical investments	776	917	**764**	(153)	(16.7)
- of which with a greater return	*345*	*383*	***280***	*(103)*	*(26.9)*
- of which with a basic return [(c)]	*431*	*534*	***485***	*(49)*	*(9.2)*
Net invested capital at 31 December	12,263	12,542	**12,551**	9	0.1
Natural gas injected in the National Gas Transportation Network (billions of cubic metres) [(d)]	70.64	74.59	**72.82**	(1.77)	(2.4)
Transportation network (kilometres in use) [(e)]	32,508	32,584	**32,625**	41	0.1
- of which national network [(e)]	*9,590*	*9,704*	***9,697***	*(7)*	*(0.1)*
- of which regional network	*22,918*	*22,880*	***22,928***	*48*	*0.2*
Installed capacity in the compression stations (MW) [(f)]	922	902	**961**	59	6.5
Employees in service at year end (number)	1,726	1,972	**1,915**	(57)	(2.9)

(a) Before consolidation adjustments.
(b) More information concerning the adjusted result measures and related special items that are recognised at the consolidated level are provided in the chapter "Comment on the financial results - Non-GAAP measures".
(c) At an actual basic pre-tax WACC of 5.4%, both for 2017 and 2018.
(d) The data for 2018 were updated on 11 January 2019. The update of 2017 figures has been finalised, and figures are consistent with those published by the Ministry of Economic Development. With reference to 2018, gas volumes are expressed in standard cubic metres (SCM) with an average traditional higher heating value (HHV) conventionally of 38.1 MJ/SCM (10,572 Kwh/SCM).
(e) For 2017 and 2018, the figure includes 84 km of network referring to the company Infrastrutture Trasporto Gas.
(f) For 2017, the figure excludes the units “being conserved” in relation to the Gallese plant.

RESULTS

Total revenue amounted to 2,118 million euro, up by 79 million euro, or 3.9%, compared with 2017 (2,039 million euro). Net of components offset in costs[8], total revenue amounted to 1,984 million euro, up by 110 million euro, or 5.9%, compared with the previous year.
The **regulated revenues** (2,041 million euro) essentially refer to the fees for the natural gas transportation service (2,023 million euro) and to the incentives granted to the Balancing Operator (RdB) (15 million euro) following the actions implemented, as required by Resolution 554/2016/R/gas. Regulated revenue, net of components that are offset in costs, amounted to Euro 1,907 million, up by Euro 91 million, or 5.0%, compared with 2017. The increase is essentially due to greater revenues from transmission (+81 million euro)[9] in view of the update of the invested capital recognised for regulatory-RAB purposes (+64 million euro), the greater contribution of ITG (whole year 2018 as compared with 3 months in 2017; +15 million euro) and greater incentives recognised to the Balancing Operator (+7 million euro).
Non-regulated revenue (77 million euro) increased by 19 million euro, or 32.8%, compared with 2017. The increase is due to the services provided to other Group companies (+16 million euro) essentially following the transfer from Stogit to Snam Rete Gas, as part of the Integra Project completed on 01 July 2017, of the business unit "Technical plants and services". The increase is matched by higher labour costs associated with the staff members transferred.

Adjusted operating profit, which excludes the special items represented by the charges relating to the incentives to take voluntary redundancy in application of the early pension mechanism regulated by Art. 4, paragraphs 1-7 of Italian Law no. 92/2012 (the "Fornero Law"), together with the introduction of the "quota 100" envisaged by the 2019 Budget Law (a total of 17 million euro), comes to 1,081 million euro, up 33 million euro, equal to 3.1% on FY 2017. The increase is due to the greater revenues (+94 million euro, net of the charge-back of services provided to other Group companies), partly offset by the greater amortisation, depreciation and impairment (-25 million euro, equal to 4.5%), essentially due to the commissioning of new assets and the rise in operating costs (-36 million euro, equal to 14.5%, net of components with equivalent entries in revenues, the effects of the corporate reorganisation as part of the Integra Project and special items). This increase is mainly due to expenses deriving from the greater use of Unaccounted-For-Gas (UFG)[10] with respect to the quantities conferred in kind by the users (-22 million euro, net of uses of the provision made during previous years) and greater costs for services, mainly IT in nature, charged back by the parent company Snam S.p.A., only partly offset by actions to optimise IT infrastructure management.

8 The main revenue items offset in costs relate to sales of natural gas carried out for the purposes of balancing the gas system, modulation and interconnection.
9 The change includes the adjustment of revenues recognised for natural gas transmission and dispatching for 2018, in order to take into account the final values for 2017, as ordered by the Authority in resolution 390/2018/R/gas of 18 July 2018.
10 With reference to the petition presented by the Company to the regulatory Authority - ARERA, for the recognition of the greater charges related to the purchase of gas for the coverage of the UFG for the years 2018-2019, it is specified that the Authority itself with communication of 13 February 2019, while positively assessing the Company's request, however, deemed it necessary to acquire additional information elements preliminary to the completion of the preliminary investigation. The Company is collaborating with the Authority in providing the requested information.

Technical investments

Type of investment	2016 Greater return (%) (*)	2016 Million €	2017 Greater return (%) (*)	2017 Million €	2018 Type of investment	2018 Greater return (%) (**)	2018 Million €
Development of new import capacity	2.0%	226	2.0%	276	Development	**1.0%**	**279**
Development of the national network	1.0%	1	1.0%	10			
Development of the regional network	1.0%	118	1.0%	97			
Replacement and other		431		534	Replacement and other		**485**
		776		**917**			**764**

(*) With respect to an actual pre-tax basic WACC of 5.4%. For 2016 only, the actual basic pre-tax WACC is plus 1% to offset the regulatory lag.
(**)With respect to an actual basic pre-tax WACC of 5.4%, applied to investments in new transmission capacity and with a cost-benefits analysis of more than 1.5 in accordance with Resolution 575/2017/R/Gas.

Technical investments in 2018 amounted to 764 million euro, a decrease of 153 million euro, or 16.7%, compared with 2017 (917 million euro).
Investments have been classified consistently respectively with resolutions 575/2017/R/gas with reference to FY 2018 and 514/2013/R/gas for 2017 investments where by the Autorità di Regolazione per Energia, Reti e Ambiente ("ARERA" or the "Authority") identified different categories of projects with which a different level of remuneration is associated.

The main investments made in **developing** new transmission capacity, for which a greater remuneration of 1% is envisaged (279 million euro), mainly concern:

- investments in **developing new transmission capacity on the national network functional to import and export capacity** (174 million euro) as part of the initiative to support the market in the country's north-west, and to allow for the reversal of physical transmission flows at the interconnection points with northern Europe in the area of the Po Valley, projects to upgrade the transmission network from the entry points in southern Italy, the Cervignano-Mortara methane pipeline and the compression plants of Sergnano and Minerbio, which were commissioned starting October 2018;
- investments in **developing new transmission capacity on the regional and national networks** (106 million euro), including: (i) the continuation of works relating to the Cornegliano Laudense Italgas Storage S.r.l. connection; (ii) the continuation of construction works and connections relating to the methanisation of the region of Calabria, including the Montebello Jonico derivation.

Investments in **replacement and other investments with basic remuneration**[11] (485 million euro) mainly concern: (i) works aimed at maintaining plant safety levels, also in terms of function and quality (366 million euro) including the continuation of works for the design and acquisition of permits and start to delivery of materials for the rebuilding of the Ravenna-Chieti methane pipeline, stretch Ravenna-Recanati (27 million euro); (ii) projects relating to the development of new information systems, as well as the implementation of the existing ones (65 million euro); (iii) upgrading projects for the redelivery plants (24 million euro); (iv) reclamation works for third parties (10 million euro); and (v) the purchase of assets instrumental to operating activities (18 million euro).

11 For the investments of 2018, the basic rate of return includes the rate of return on net invested capital (real pre-tax WACC) of 5.4%.

Progress of work to obtain permits

For the development of new sites, in addition to the technical-economic feasibility criteria, Snam adopts procedures that meet strict environmental compatibility and safety assessments.

The assessments of the environmental effects involve all the phases of the work life cycle, site selection, planning, construction, operation and decommissioning. These assessments are made within the purview of the Environmental Impact Assessment (EIA) procedures, and in the Integrated Environmental Authorisation (IAEA) procedures, at the end of which the central and local administrations issue the permits required under current law.

EIA decrees obtained during the year

Name	Length (km)	Regions involved	Competent agencies	Date of decree
Pipelines				
Redoing of the Rimini-Sansepolcro methane pipeline and related works	81.915	Emilia-Romagna and Tuscany	Tuscany	18/06/18

Integrated Environmental Authorisation (IEA) Decrees obtained during the year

Name	No. compression units	Regions involved	Competent agencies	Date of decree
Gas compression plant				
Gallese (review for substantial change)	3	Lazio	Ministry of the Environment and Protection of Land and Sea	11/05/2018

Provisions for verification of whether subject to EIA obtained during the year

Name	Length (km)	Regions involved	Competent agencies	Date of provision
Pipelines				
Mornico al Serio - Travagliato Tratto Chia ri - Travagliato	24.94	Lombardy	Province of Brescia	03/05/2018
Asti-Cuneo Variants for the development of PIG receipt/launch plants	3.941	Piedmont	Ministry for the Environment	26/09/2018

EIA applications submitted to Ministry of the Environment and Ministry of Cultural Heritage

Name	Length (km)	Regions involved	Date of submission
Pipelines			
Redoing Ravenna - Chieti Tratto Ravenna - Jesi	142.6	Emilia-Romagna - Marche	30/04/2018

Applications submitted to the Ministry of the Environment to check EIA requirements

Name	Length (km)	Regions – Provinces involved	Date of submission
Pipelines			
Re-connection of Torino di Sangro (CH)	1.132	Abruzzo	22/06/2018
Variant for the inclusion of PIDI no. 18.2 on Chieti - San Salvo (CH)	0.113	Abruzzo	22/06/2018
Tortona - Alessandria - Asti - Turin redoing Attr. FR 39.1	3.68	Piedmont	26/07/2018
Variants S. Eufemia - Crotone Ref. Crossing of River S.Anna (KR)	0.64	Calabria	01/08/2018
Derivation for Altino 2nd section real variant Hydraulic works on the river Rio Secco	0.07	Abruzzo	21/12/2018
Asti-Cuneo Variants for the development of PIG receipt/launch plants	3.941	Piedmont	28/03/2018
Plants			
Plant HPRS IS64/24 bar of Castellana Grotte		Apulia	17/07/2018

Applications for Integrated Environmental Authorisation (IEA) review submitted to the Ministry of the Environment

Name	No. compression units	Regions – Provinces involved	Date of submission
Gas compression plants			
Melizzano (review)	4	Campania-Benevento	24/12/2018
Montesano sulla Marcellana (review)	4	Campania-Salerno	24/12/2018
Tarsia (review)	4	Calabria-Cosenza	24/12/2018
Istrana (review, renewal and substantial change)	4	Veneto-Treviso	27/11/2018

OPERATING REVIEW

Gas distribution on the National Transportation Network

Gas volumes are expressed in standard cubic metres (SCM) with a traditional higher heating value (HHV) of 38.1 MJ/SCM (10.572 Kwh/SCM). The basic figure is measured in energy (MJ) and obtained by multiplying the physical cubic metres actually measured by the relative heating value.

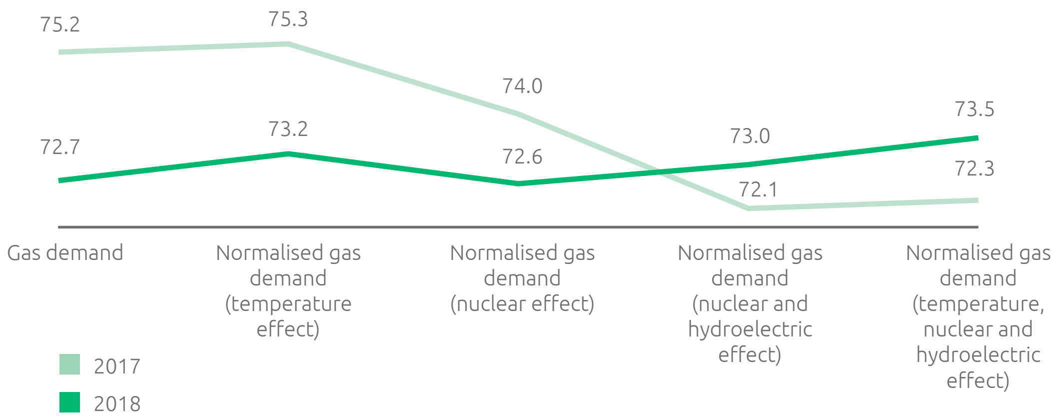
Gas demand in Italy

(billions of m³)	2016	2017 (a)	2018	Change	% change (b)
Residential and tertiary	28.86	29.48	**29.17**	(0.31)	(1.1)
Thermoelectric	23.43	25.36	**23.28**	(2.08)	(8.2)
Industrial (c)	16.58	17.80	**17.87**	0.07	0.4
Other (d)	2.04	2.51	**2.34**	(0.17)	(6.8)
Total	**70.91**	**75.15**	**72.66**	**(2.49)**	**(3.3)**

(a) The update of 2017 figures has been finalised, and figures are consistent with those published by the Ministry of Economic Development.
(b) The percentage changes were calculated with reference to the figures in cubic metres.
(c) Includes the consumption of the Industrial, Agricultural and Fishing, Chemical Synthesis and Automotive sectors.
(d) Consumption and losses relating mainly to the natural gas transportation system, the energy system, the upstream sector, storage and LNG plants.

The **gas demand in Italy** in 2018 was **72.66 billion cubic metres**, down 2.49 billion cubic metres (3.3%) compared with 2017. The reduction can mainly be attributed to the lower consumption recorded in the thermoelectric industry (-2.08 billion cubic metres; -8.2%) following the return to the normal flows of electricity imports, which reduced in 2017 due to the downtime of some French nuclear plants in the first two months of the year and the increase in hydroelectric production, which has returned to normal levels after the water shortage that characterised 2017. The reduction in the demand for gas was also due to the lesser consumption in the residential and tertiary sector (-0.31 billion cubic metres; -1.1%) due to the climate trends.

Adjusted for temperature, gas demand was estimated at 73.2 billion cubic metres, down by 2.1 billion cubic metres (-2.8%) compared with 2017 (75.3 billion cubic metres). Adjusted not only for temperature but also for effects deriving from a return to normal hydroelectric production levels and nuclear production, normalised gas demand is estimated as 73.5 billion cubic metres, increasing by 1.2 billion cubic metres (1.7%) compared to the corresponding value for 2017 (72.3 billion cubic metres).

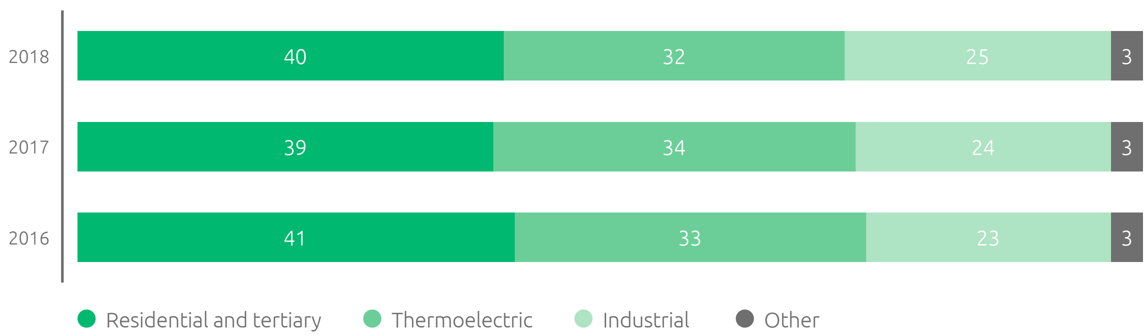


Availability of natural gas

(billions of m³)	2016	2017 (*)	2018	Change	% change
Gas injected into the network by entry point	65.07	69.35	**67.70**	(1.65)	(2.4)
Domestic output	5.57	5.24	**5.12**	(0.12)	(2.3)
Total gas injected into the network	**70.64**	**74.59**	**72.82**	**(1.77)**	**(2.4)**
Net balance of withdrawals from/injections into storage (**)	(0.20)	0.23	**(0.43)**	(0.66)	
Total availability of natural gas	**70.44**	**74.82**	**72.39**	**(2.43)**	**(3.2)**

(*) The update of 2017 figures has been finalised, and figures are consistent with those published by the Ministry of Economic Development.
(**) Understood as the balance between the withdrawals from (+) and injections into (-) the storage system expressed gross of consumption for injection/withdrawal.

Gas demand by sector (% of total gas demand)



The **availability of natural gas in Italy** (72.39 billion cubic metres) is equal to the sum of gas injected into the National Transportation Network and the net balance of withdrawals from and injections into the storage system, and was down by 2.43 billion cubic metres (-3.2%) compared with 2017. The decrease was due to lesser volumes of gas injected into the network by entry point (-1.65 billion cubic metres; -2.4%) and a reduction in national production (-0.12 billion cubic metres; -2.3%), with greater net injections in storage system, associated with net withdrawals in the previous period (-0.66 billion cubic metres).

Gas injected into the network (*)

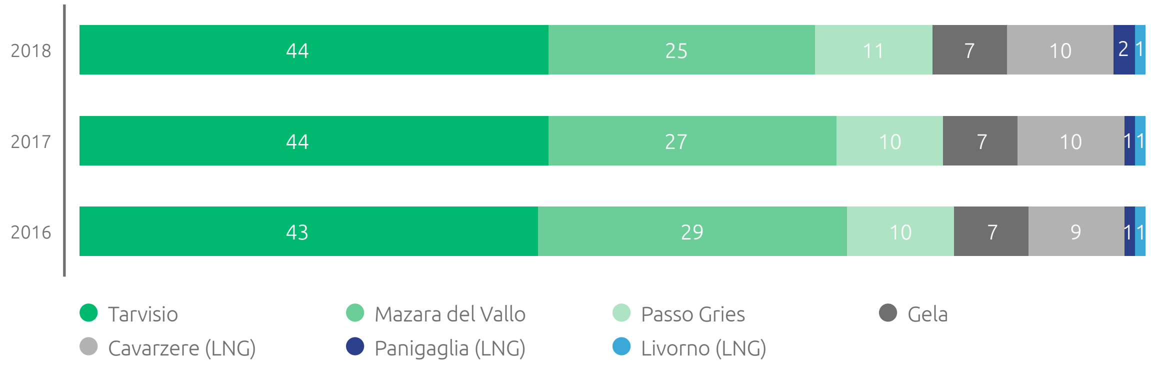
(billions of m³)	2016	2017	2018 (*)	Change	% change
Domestic output	5.57	5.24	**5.12**	(0.12)	(2.3)
Entry points (**)	65.07	69.35	**67.70**	(1.65)	(2.4)
Tarvisio	28.27	30.18	**29.69**	(0.49)	(1.6)
Mazara del Vallo	18.87	18.88	**17.09**	(1.79)	(9.5)
Gries Pass	6.70	7.25	**7.76**	0.51	7.0
Gela	4.81	4.64	**4.47**	(0.17)	(3.7)
Cavarzere (LNG)	5.72	6.85	**6.71**	(0.14)	(2.0)
Panigaglia (LNG)	0.22	0.62	**0.88**	0.26	41.9
Livorno (LNG)	0.48	0.91	**1.07**	0.16	17.6
Gorizia		0.02	**0.03**	0.01	50.0
Total	**70.64**	**74.59**	**72.82**	**(1.77)**	**(2.4)**

(*) The data for 2018 were updated on 11 January 2018. The update of 2017 figures has been finalised, and figures are consistent with those published by the Ministry of Economic Development.
(**) Entry points connected with other countries or with LNG regasification terminals.

Injections into and withdrawals from the transportation network

In 2018, a total of 72.82 billion cubic metres of gas was injected into the network, a decrease of 1.77 billion cubic metres (-2.4%) compared with 2017.
Injections into the network from domestic production fields or collection and treatment centres totalled 5.12 billion cubic metres, down by 0.12 billion cubic metres (-2.3%) compared to 2017.
The volumes injected at entry points connected with other countries and with regasification plants, equalled 67.70 billion cubic metres overall, a drop of 1.35 billion cubic metres (+ -2.4%) compared to 2017.
This change is due to the reduction in the volumes of gas injected at the Mazara del Vallo entry point (-1.79 billion cubic metres; -9.5%), the Tarvisio entry point (-0.49 billion cubic metres; -1.6%) and Gela (-0.17 billion cubic metres; -3.7%), the effects of which were partly offset by higher volumes injected at the entry points of Passo Gries (+0.51 billion cubic metres; +7.0%) and the LNG regasification terminals (+0.28 billion cubic metres; +3.3%).

Natural gas injected into the network by import point
(% of total gas injected)



Withdrawals of natural gas

(billions of m³)	2016	2017	2018	Change	% change
Redelivery to the domestic market	69.91	73.97	**71.48**	(2.49)	(3.4)
Exports and transit (*)	0.27	0.33	**0.45**	0.12	36.4
Consumption and emissions attributable to Snam Rete Gas	0.23	0.28	**0.27**	(0.01)	(3.6)
Gas not accounted for and other changes (**)	0.03	0.24	**0.19**	(0.05)	(20.8)
Total withdrawals of natural gas	**70.44**	**74.82**	**72.39**	**(2.43)**	**(3.2)**

(*) Includes exports to the Republic of San Marino.
(**) Includes variations in network capacity. In the energy report compiled by Snam Rete Gas, the natural difference between the quantity of gas metered at the entrance to the network and the quantity of gas metered at the exit, due to the technical tolerance of the metering devices, is traditionally defined as unaccounted-for gas (UFG).

The natural gas withdrawn from the National Transportation Network in 2018 (72.39 billion cubic metres) is mainly: (i) redelivery to users at network exit points (71.48 billion cubic metres; -3.4%); (ii) exports and transit (0.45 billion cubic metres; +36.4%); and (iii) consumption by the compression plants and gas emissions from the network and from Snam Rete Gas plants (0.27 billion cubic metres; -3.6%).

Reconciliation of the gas injected and Italian gas demand

(billions of m³)	2016	2017 (a)	2018	Change	% change (b)
Total gas injected into the network	**70.64**	**74.59**	**72.82**	**(1.77)**	**(2.4)**
Net balance of withdrawals from/injections into storage (c)	(0.20)	0.23	(0.43)	(0.66)	(287.0)
Total withdrawals of natural gas	**70.44**	**74.82**	**72.39**	**(2.43)**	**(3.2)**
Exports (-) (d)	(0.27)	(0.33)	**(0.45)**	(0.12)	36.4
Gas injected into the regional networks of other operators	0.04	0.03	**0.03**	-	-
Other consumption (e)	0.70	0.63	**0.69**	0.06	9.5
Total Italian demand	**70.91**	**75.15**	**72.66**	**(2.49)**	**(3.3)**

(a) The update of 2017 figures has been finalised, and figures are consistent with those published by the Ministry of Economic Development.
(b) The percentage changes were calculated with reference to the figures in cubic metres.
(c) Understood as the balance between the withdrawals from (+) and injections into (-) the storage system expressed gross of consumption for injection/withdrawal.
(d) Includes transit and exports to the Republic of San Marino.
(e) Includes the consumption of the LNG regasification terminals, the consumption of the compression stations for storage and the production treatment stations.

Transport capacity

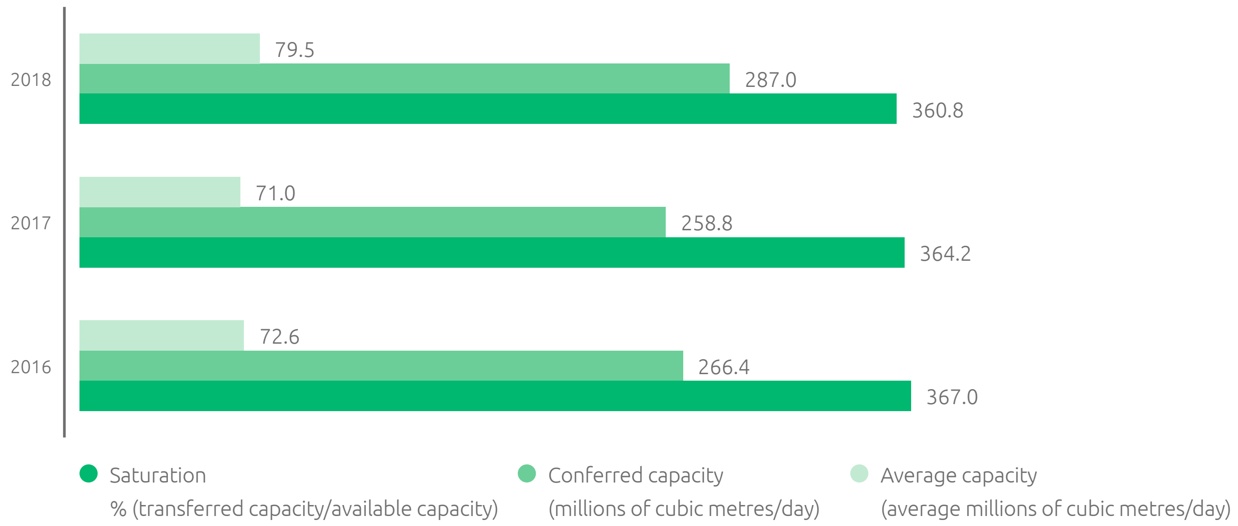
(millions of m³ average/day)	Calendar year 2016			Calendar year 2017			Calendar year 2018		
Entry points	Transmission capacity	Transferred capacity	Saturation (%)	Transmission capacity	Transferred capacity	Saturation (%)	Transmission capacity	Transferred capacity	Saturation (%)
Tarvisio	111.6	93.4	83.7	111.4	94.6	84.9	**111.1**	**107.4**	**96.7**
Mazara del Vallo (*) (**)	91.5	84.9	92.8	84.4	78.3	92.8	**82.0**	**81.2**	**99.0**
Gries Pass	64.4	22.1	34.3	64.4	22.4	34.7	**64.4**	**34.8**	**54.0**
Gela (*)	30.8	26.0	84.4	23.8	22.0	92.4	**20.3**	**20.1**	**99.0**
Cavarzere (LNG)	26.4	24.4	92.4	26.4	24.4	92.5	**26.4**	**24.4**	**92.4**
Livorno (LNG)	15.0	15.0	100.0	15.0	15.0	100.0	**15.0**	**15.0**	**100.0**
Panigaglia (LNG)	13.0	0.6	4.6	13.0	2.0	15.5	**13.0**	**4.0**	**30.8**
Gorizia	4.6			4.6	0.1	2.2	**4.2**	**0.1**	**2.4**
Competing capacity (*)	9.7			21.2			**24.4**		
Total	**367.0**	**266.4**	**72.6**	**364.2**	**258.8**	**71.0**	**360.8**	**287.0**	**79.5**

(*) The capacities at the Mazara del Vallo and Gela entry points do not include competing capacity. This capacity, pursuant to Regulation (EU) No. 984/2013 in force as of 01 November 2015, represents the transportation capacity available at one point, the allocation of which fully or partly reduces the capacity available for allocation at another point in the transportation system.
(**) Capacity values at the Entry points of Mazara del Vallo and Tarvisio include the capacity quotas pursuant to ARERA Resolution 666/2017/R/GAS.

The transportation capacity of the network again covered all user demand in 2018. Average transportation capacity provided at the entry points interconnected with foreign methane pipelines and at regasification plants in 2018 was 360.8 million cubic metres per day, 24.4 of which were offered as competing capacities between the Mazara del Vallo and Gela entry points. In addition to the aforementioned capacities that concern the entry points interconnected with other countries and the LNG terminals, a transmission capacity to the entry points interconnected with national productions, for a total of 19.2 million cubic metres/day and biomethane productions, totalling 0.1 million cubic metres/day is available at the domestic production entry points.
Snam Rete Gas has prepared a long-term plan for available transportation capacity, which was sent to the Ministry of Economic Development on 26 June 2018 and published on the on-line services/capacity section of the Snam website: www.snam.it/it/trasporto.

The document shows data about capacity at all entry points interconnected with foreign countries and with LNG terminals for the thermal year 2017-2018 and subsequent years up to 30 September 2033.
Also shown for the thermal year 2017-2018 are the transport capacities of the interconnected exit points with the foreign countries of Passo Gries, Gorizia, Bizzarone and San Marino at a total of 10 million cubic metres/day. On the Tarvisio exit point, 18 million cubic metres/day of interruptible transport capacity is available, subject to the presence of an incoming physical flow or a null physical flow at the Passo Gries entry point. For the exit point from Passo Gries, there is currently a transport capacity equal, physically, to 5 million cubic metres/day, and works have been completed to build a physical transport capacity of up to 40 million cubic metres/day, offered starting 01 October 2018.

Transmission capacity and saturation



Provision and development of transportation services

	2016	2017	2018
Active customers (shippers)	136	128	**136**
New connection agreements for delivery/redelivery points	45	78	**88**

In 2018, 88 connection contracts were signed for the construction of new delivery/redelivery points or upgrading of existing points, of which 14 were for biomethane injection and 43 for CNG (of which 17 from Snam 4 Mobility).
Thanks to the development of the Snam services over the last ten years, the Italian gas market has seen constant growth in the transportation operators, passing from 30 in 2003 to almost 200. Via the PRISMA platform, with the new balancing regime (EU Regulation 312/2014), in operation since October 2016, operators can operate gas exchanges and transmission capacity transactions on an infra-daily, daily, monthly, quarterly or annual basis, for up to a maximum of 15 years.
In 2018, the integration process continued, as had begun in July 2017, which caused the commercial management activities of the three businesses regarding transmission, storage and regasification, to flow into a single organisation. In this regard, a project has been developed that integrates know-how and improves performance: a single Commercial Control Room, which works 24 hours a day, overseeing the Italian gas system, a commitment that envisages specific information obligations envisaged by the Network Balancing Code, such as the hourly publication, on the Snam website, of information on the system balancing status, and the publication, twice a day for each shipper, of information on gas withdrawals, with the main aim of improving the quality of service offered to the client, reducing handling time.
To promote even greater flexibility of the system, in compliance with the Authority's Resolutions no. 336/2016/R/gas and 512/2017/R/gas, the Italian gas system has the possibility of booking monthly and daily transport capacity at the redelivery points, and related withdrawal areas that feed electricity generation plants.
This new mode of access to the gas transport system is combined with the needs of the electricity system to have more flexible assignment methods, so it can respond in a timely and efficient way to changes in the operating conditions of the electricity system.
To manage customer relations, Snam currently uses numerous software applications and web portals that have been developed over time, represent a distinguishing capital for the company and are continuously updated. In particular, Snam provides the Myg@sview Portal, a tool aimed at supporting timely and flexible communications, that allows a set of "smart" data to be personalised according to individual needs, as well as direct communications with them, and inform them via SRG ("chat" mode).

In 2018, this instrument was further implemented, increasing its potential use, also thanks to operator suggestions, with the release to production of new widgets that, for example, with the possibility of extracting the data displayed, indicate the number and details of the points concerned by the reduction and/or interruption of transmission capacity, report the lack of a declaration adhering to the alternative transmission service, indicate the total amount of invoices for Transmission and Balancing, with a list of overdue invoices, those due in the first 15 days of the month and in the next 15 days, showing the situation of the gas held in deposit, space and gas under warranty, divided up by type of service, indicate the gas daily imbalance price.
The comprehensive overhaul of the Snam website was completed, redefining the sections relating to the gas transmission, storage and regasification businesses with the aim of improving use of the information by clients and introducing graphic forms of representation. In 2018, the Company also embarked on a project (Jarvis) aimed at improving the entire commercial platform. During the study phase, workshops were held, dedicated to clients, so as to jointly design the new computer system. In this regard, clients very much appreciated their involvement, as shown by the annual customer satisfaction survey.
Network codes list a number of indicators for monitoring the quality of service offered by the companies. When compared against these indicators, the Snam companies maintained a high level of performance, even in 2018. One part of these indicators, which refers to specific levels of business quality, gives rise to automatic indemnification of customers in the event of a failure to comply with service quality standards.

(%)	2016	2017	2018
Contracted transport capacity/Available transport capacity (foreign entry/interconnection points)	72	71	**79**
Compliance with deadlines for issuing offers for connection	100	100	**100**
Compliance with deadlines for performing services subject to specific business quality standards	100	100	**100**

Organisational changes

During the course of 2018, the number of personnel in service fell by a total of 57, going from 1,972 resources as at 31 December 2017, to 1,915 resources as at 31 December 2018.
In September 2018, the Dispatching and Metering Department was reorganised, with the simplification of the organisational structure, with a view to maximising synergies between the various operating processes.
As part of the SmartGas project, optimisation continued of the various processes in the Operations area, with specific reference to the review of legislation and gas pipeline and compression plants maintenance standards, the activation of new professional roles operating on the territory, the development and implementation of the most advanced IT and digital solutions for the management of operative processes. More specifically, in 2018 the roll-out was completed of SmartGas on all compression plants and the training of all labourers completed towards the move to the new figures of Advanced Maintenance Skill (AMS) and Basic Maintenance Skill (BMS). Finally, the first Specialised Technicians (TECS) were also introduced.
With a view to enhancing and organising the synergic integration of Italian assets and, after the transfer process of the Stogit business unit "Plants and Technical Services" in 2018, the competent departments of Snam Rete Gas in the context of Plant Management, Dispatching & Measurements, Engineering and Construction and Supply Chain, have strengthened and made concrete action aimed at assuring direct control of the operations, maintenance and control activities for storage facilities, storage dispatching operations and engineering activities, and implementation of investment projects related to surface facilities, improvements to plant engineering and the procurement of goods, works and services, in accordance with that defined by the service contracts. More specifically, two mixed storage and transmission poles have been developed for the operation and maintenance of two new compression plants, Minerbio and Sergnano. Additionally, in 2018 the integrated (transmission-storage) dispatch management project was completed.

In October 2018, the General Manager of Engineering and Constructions was appointed, responsible for supervising the development and management of investment projects, along with the General Manager for Gas Operations, responsible for supervising the operation and maintenance of the relevant transmission and storage infrastructures and the dispatch, transmission and storage and metering of gas, with a view to better allocating responsibilities within the specific purviews.
Additionally, 2018 also was the conclusion of the process of integrating the company Infrastrutture Trasporto Gas (ITG) into the Snam Group. The acquisition of Infrastrutture Trasporto Gas made it possible to achieve a better, more synergic management of the Cavarzere-Minerbio methane pipeline, through a specific service contract stipulated by Snam Rete Gas and ITG. In 2018, integration of ITG business and staff into the other group companies' structures, continued. With a view to obtaining greater efficiency and synergy, most of the people were allocated to cover needs in other group companies, after training, where necessary. The activity has now been completed, apart from one person who will be integrated in the first part of 2019.
Finally, as part of the project to rationalise and simplify the current Snam regulations, 6 new rules were issued, which will simplify and standardise the operative processes.
As compared with 2017, the management actions linked to the generational mix change have made it possible to fight the normal "ageing" of the population by one year and further rejuvenate the overall average age, which goes from 46.8 in 2017 to 46.1 in December 2018.

Accidents

In 2018, the number of accidents was booked as 4 for employees and 3 for contract workers.

Accidents at work

(no.)	2016	2017	2018
Total employee accidents	1	2	**4**
Total contract worker accidents	4	4	**3**

Accident indices

	2016	2017	2018
Employees			
Frequency index (*)	0.32	0.66	**1.29**
Severity index (**)	0.004	0.03	**0.03**
Contract workers			
Frequency index (*)	0.65	0.47	**0.46**
Severity index (**)	0.05	0.90	**0.03**

(*) Number of accidents at work resulting in an absence of at least one day, per million hours worked.
(**) Number of working days lost (calendar days) in relation to accidents at work resulting in absence of at least one day, per thousand hours worked. These data have been calculated taking fatal accidents into consideration.

Energy consumption and emissions

In accordance with its sustainable growth model, the company has set voluntary targets for the reduction of its natural gas emissions by 2022 and 2025 respectively as 15% and 25%, net of emergencies, with respect to 2016 values; this objective is valid for all Snam's businesses (transmission, storage, regasification).
In 2018, the emission into the atmosphere was avoided of 8.2 million cubic metres of natural gas, equal to approximately 142,200 tonnes of CO_{2eq} (+ 99% on the 71,500 tonnes of CO_{2eq} in 2017). This performance was made possible thanks to gas recompression interventions in the line (13 interventions carried out as compared with the 8 in 2017) and interventions with tapping machines, a technology that can detach methane pipelines operating for new connections without interrupting service. These results led to a reduction in 2018 natural gas emissions of 7.9% on 2016, a trend that is entirely in line with the general objective.

Total avoided CO_2 emissions in 2018 deriving from the various initiatives adopted by the company (lack of natural gas emissions, electricity production by photovoltaic plants, purchase of green electricity, installation of LED lamps in lieu of other lighting bodies, smart working) have made it possible, globally, to avoid the release into the atmosphere of a total of 154,800 tonnes of CO_2.
Energy consumption for transport, which depends on a series of factors, some of which are beyond the control of the transporter, insofar as they are determined by the commercial decisions made by the user (e.g. gas injection points and backbones used) are basically unchanged on 2017. In 2018, nitrous oxide emissions totalled approximately 305 tonnes (+ -10.7% compared to 2017). To limit polluting emissions, a programme that calls for modifying certain turbines already in operation and the installation of new units with low emission combustion systems (Dry Low Emissions) has been in progress for years. In 2018, 5 new turbines were introduced to DLE at thrust plants (TC1-2-3 in Sergnano and TC1-2 in Minerbio).

Energy consumption

	2016	2017	2018
Energy consumption (TJ)	5,824	7,459	**7,463**
Emissions of CO_{2eq} - scope1 (ton) (*)	921,954	1,008,051	**981,866**
Natural gas emissions (106 m^3)	34.6	34.4	**32.8**
Natural gas recovered (106 m^3)	4.5	4.1	**8.2**
NO_x emissions (tonnes)	228	342	**305**

(*) CO_{2eq} emissions were calculated based on a Global Warming Potential (GWP) for methane of 28, as indicated in the scientific study carried out by the Intergovernmental Panel on Climate Change (IPCC), "IPCC Fifth Assessment Report".

REGULATIONS CONCERNING THE BUSINESS SEGMENT

Relations with the regulatory authority

(no.)	2016	2017	2018
Responses to consultation documents (*)	10	8	**10**
Tariff proposals	5	4	**3**
Data collections	112	129	**143**
Preliminary investigations (**)	1	3	**2**
Proposal to amend/update contractual documents and codes (***)	12	14	**12**
Proposal to amend/update contractual documents and codes (approved)	12	12	**10**

(*) In 2018, a similar number of responses to consultation documents was supplied through trade associations.
(**) Information sent to the Authority during 2018 with reference to investigations in the context of the sector. This includes exploratory investigations.
(***) Also includes proposals still being evaluated by the Authority, including contractual documents and agreements with operators in the context of regulated services.

Regulation transition period 2018-2019

Criteria for adjusting the tariffs for natural gas transport services for the transition period in the years 2018 and 2019

By means of Resolution 575/2017/R/gas, which was issued on 04 August 2017, the Authority approved the tariffs for the transport, dispatch and metering service for 2018 -2019. The resolution confirmed the main criteria of the regulation currently in force, with some modifications:

- the asset β parameter was confirmed for the Transitional Period 2018-2019. the WACC value of 5.4% in real pre-tax terms is therefore confirmed for 2018, and will be determined for the year 2019 by updating the basic parameters;
- from 2018 the investments made in the year t-1 will be included in the investment capital for the purpose of determining the tariffs for year t, replacing the 1% increase in the WACC to cover the regulatory time-lag. The 1% increase in the WACC covering the regulatory time-lag has been applied to investments made in the period 1 January 2014-31 December 2016;
- the input-based incentive scheme (1-2% for 7/10 years for regional and national networks respectively) will be applied to new development investments that have entered into service by 31 December 2017;
- an input-based incentive scheme (1% for 12 years for regional and national networks) will be applied to investments for the construction of new transportation capacity, launched as of 31 December 2017, which will start operating in the years 2018 and 2019. The incentive will also be recognised for investments that start operating during the transition period after 1 January 2018, included in the Development Plan and with a benefit-cost ratio higher than 1.5;
- the operating costs recognised in the fourth regulatory period will be updated according to inflation, and a productivity recovery factor (X-factor). The variable unit price (CV) will be calculated for the years 2018 and 2019 using a reference volume of 67.2 billion cubic metres.

Tariff regulations for 2018

By means of Resolution 757/2017/R/gas, published on 17 November 2017, the Authority approved the revenue recognised for the natural gas transportation and dispatching service for 2018. Revenue recognised for the natural gas storage service for 2018 amounted to 1,947 million euro. The RAB used to calculate 2018 revenues for transport, dispatching and measurement activities was 16 billion euros, and included the investments made in 2017.
The tariffs proposed for the natural gas dispatch and transmission service for 2018 were published by the Authority with resolution 795/2017/R/gas of 5 December 2017.
By means of subsequent Resolution 390/2018/R/gas, published on 19 July 2018, the Authority determined the revenue recognised for the natural gas transmission and dispatching service for 2018, in order to take into account the final values booked for 2017.

Tariff regulations for 2019

By means of Resolution 280/2018/R/gas, published on 10 May 2018, the Authority approved the revenue recognised for the natural gas transportation and dispatching service for 2019, which came to 1,964 million euro. The RAB used to calculate 2019 revenues for transport, dispatching and

measurement activities was 16.2 billion euro, and included the investments estimated for 2018.
By means of Resolution 306/2018/R/gas, published on 01 June 2018, the Authority approved the proposed revenue for the natural gas transportation and dispatching service for 2019.

Regulation for the fifth regulatory period 2020-2023

Consultations no. 347/2018/R/gas and no. 512/2018/R/gas relative to the "Criteria for the tariff regulation for the natural gas transmission and metering service for the fifth regulatory period"

With consultation documents no. 347/2018/R/Gas and no. 512/2018/R/gas, published respectively on 22 June 2018 and 18 October 2018, the Authority gave guidelines on the criteria for tariff regulation for the natural gas transmission and metering service for the fifth tariff regulatory period.
More specifically, the Authority proposed:

- confirmation of a 4-year regulation period (2020-2023);
- revision of the value of the β asset parameter in order to determine the rate of remuneration (WACC);
- confirmation of the revalued historic cost method to determine the RAB and the use of the gross fixed investments deflater recorded by ISTAT for value adjustment confirmation of a 4-year regulation period (2020-2023);
- confirmation of the recognition of flat net working capital of 0.8%;
- the inclusion of work in progress (LIC) in calculating the RAB, recognising remuneration equal to the WACC calculated with a D/E ratio of 4;
- confirmation of the useful lives of assets of the current regulatory period;
- determination of operating costs recognised on the basis of the costs of the last year available at the time of presentation of tariff proposals for 2020, i.e. costs relating to 2017, increased by the greater efficiencies achieved in the current period (profit-sharing 50% measured over 2017), envisaging subsequent balance calculations due to any differences, with the efficiency factor (X-factor) sized so as to return the greater efficiencies realised in the fourth regulatory period to users in 4 years;
- the annual update of the variable price (CV) on the basis of the volumes recorded in the year t-2;
- confirmation of the excess of ±4% of revenues correlated to volumes transported;
- limited to investments that will come into operation in the years 2020-2021, with a costs/benefits ratio of more than 1.5, application of an increase in the WACC of +1% for 10 years;
- introduction of a variable price applied to volumes carried intended to cover recognised operating costs, costs relating to the Emission Trading system and costs for the procurement of quantities to cover self-consumption, losses and CNG with a price risk hedging mechanism;
- the experimentation of some cost covering mechanisms based on total spending ("Totex"), deferring to the next regulatory period for a more complete application of the mechanism;
- the definition of regulatory criteria for the metering service in a subsequent consultation document.

The sending of observations for the second and last consultation document no. 512/2018/R/gas was concluded on 17 December 2018, so as to allow for the adoption of the final provision by end February 2019.

Update of the rate of remuneration of the invested capital for regulatory purposes (WACC) for 2019

By resolution 639/2018/R/gas published on 06 December 2018, the Authority performed the infra-period update of the basic parameters of the WACC, common to all regulated infrastructural services of the gas and electricity sectors, in accordance with the provisions of Article 5 of the TIWACC and the gearing level, according to the provisions of Article 6 of the TIWACC.
In the resolution, the Authority confirmed the level of the risk free rate (rf) parameter as 0.5% (floor) insofar as the average rates of return in real terms of government securities in EU countries with a rating of at least AA recorded in the period 01 October 2017-30 September 2018 fell below said value.

The Authority also set the other parameters as follows:

- Country Risk Premium (CRP), 1.4%;
- Tax shield, 24% and tax level 31%;
- Prospective inflation of 1.7%.

For infrastructural services other than gas distribution and metering, the Authority has arranged for a gearing level D/E of 1, whilst the Beta parameter will be determined during the rate regulation of the individual businesses, starting 2020.
On the basis of the values of the above parameters, for 2019 the Authority has set the rate of return on invested capital for the natural gas transmission service as 5.7% in actual pre-tax terms (5.4% for 2016-2018). The WACC for the years 2020 and 2021 will be determined after the beta parameter has been set for the 5 regulatory period.

Integrated Text on Balancing (TIB)

Resolution no. 480/2018/R/gas - "Definition of incentive parameters pursuant to Article 9 of the TIB (Integrated Text on Balancing), valid starting 01 October 2018"

By means of Resolution 480/2018/R/gas, which was published on 28 September 2018, the Authority defined the economic incentive parameters for the Balancing Operator with reference to the period 01 October 2018-31 December 2019. The resolution confirmed the general layout of the current incentive mechanism, modifying some parameters. More specifically, the performance objective p3 (residual balancing) was strengthened, envisaging an increase to the maximum value with respect to performance p2 (market TSO intervention price), the basic value of which is reduced from 3% to 2%.
The Authority has reduced the overall incentive by a fixed amount of 5,500 euro/day (approximately 2 mln euro/year), recognising the Balancing Operator an equal amount upon achieving additional improvement objectives (also with reference to the new "Settlement" system as set out below), in connection with which Snam Rete Gas will send a proposal to the Authority.
During thermal year 2017/18, a significant improvement was recorded to the overall performance of Snam Rete Gas with respect to the previous thermal year, in the pursuit of balancing consistently with the efficient function of the transmission network. This improvement has allowed for an increase in the total economic amount of incentives recognised to Snam Rete Gas (from approximately 3.9 to approximately 14.8 million euro).

Settlement

Resolution 676/2018/R/gas - Provisions on the terms and conditions for the disbursement of balances relative to the price differences determined upon completion of settlement sessions

By resolution 676/2018/R/gas, published on 21 December 2018, the Authority established that the management of balances of price differences, determined upon completion of previous adjustment sessions for the period 2013-2019, in accordance with Resolution 223/2018/R/gas, shall take place as part of the neutrality mechanism in relation to price differences. More specifically, it is established that, in order to determine the transmission tariffs relative respectively to the years 2020 and 2021, the revenues deriving from the application of price differences (RSCN and RSCR) relative to the years 2018 and 2019 shall be considered net of the amounts of the balance calculated upon completion of the adjustment sessions, the results of which are produced that same year.

Other provisions

Snam Rete Gas - Regulation criteria for natural gas transportation and dispatching tariffs for the period 2010-2013

By means of Ruling 2888/2015, the State Council rejected the appeal filed by ARERA for a review of the ruling of the Regional Administrative Court of Milan no. 995/2013, which had annulled the provisions contained in Resolutions ARG/gas/184/09, 192/09, 198/09 and 218/10 regarding natural gas transportation and dispatch tariffs for the period 2010-2013 relating, specifically, to the commodity/capacity distribution, reform of the entry/exit model and gas intended for consumption by the compression plants (self-consumption).
By means of Resolution 428/2015/C/gas, ARERA decided to file an appeal for the aforementioned ruling to be overturned on the grounds of factual errors; this was subsequently waived on 29 March 2018, given the onset lack of interest in proceeding. At the same time, the Authority complied with the aforementioned rulings under Resolution 550/2016/R/gas, with which, having reformed the rules for self-consumption, it justifiably confirmed the pricing criteria for the rest, in the light of consultations carried out.
Given the confirmatory nature of the aforementioned resolution, the original applicant filed an appeal for compliance with the aforementioned rulings and a declaration of the nullity of resolution 550/2016/R/gas. With ruling no. 494/2017, the Regional Administrative Court of Milan partially heard the appeal with specific reference to the issues of commodity/capacity distribution, believing that the Resolution challenged had inexactly and partially complied with ruling 995/2013 and that, therefore, the Authority should carry out an additional assessment of the effects of the decisions made.
The ruling no. 494/2017 was contested by the appellant, as well as, incidentally, by the ARERA. By recent ruling no. 1840/2018 of 23 March 2018, the Council of State, in partially upholding the incidental appeal brought by the Authority, rejected the claim for nullity due to violation of the ruling submitted by the appellant in the first instance and ordered the conversion of the rite into ordinary proceedings for annulment. The appellant consequently resumed the proceedings before the Regional Administrative Court of Milan.

Regasification of Liquefied Natural Gas (LNG)

17,500 m³

Daily regasification capacity maximum of LNG of the plant in Panigaglia

3.5 bn m³

Maximum annual quantity of natural gas that can be released into the network for transmission

0.91 bn m³ (+44.4%)

Quantity of LNG regasified in 2018 in Panigaglia

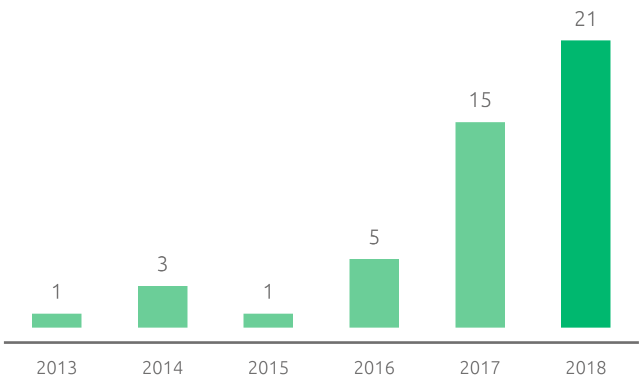
21 (+40%)

Methane tanker loads

The Panigaglia plant, built in 1971 and owned by GNL Italia, is able to regasify 17,500 cubic metres of LNG every day; under conditions of maximum efficiency, it can supply more than 3.5 billion cubic metres of natural gas into the transport network every year. Total gas regasified at the Panigaglia plant in 2018 came to 0.91 billion m³ (0.63 billion m³ in 2017; +44.4%).

In 2018, 21 methane tanker loads were unloaded (15 in 2017; +40%).

Methane tanker trend



The regasification service includes unloading the LNG from the vessel, operating storage for the time required for vaporising the LNG, regasifying it and injecting it into the national network at the Panigaglia entry point. Moreover, starting October 2018, GNL Italia has made a service available to terminal users, called the "Flexibility service", which enables the user so requesting to alter its daily delivery profile.
The regasification service can be continual for the entire thermal year or work on a spot basis and starting October 2018, the regasification capacity is conferred by means of suitable auction procedures; it also includes the auxiliary service, which consists of correcting the calorific power of natural gas to respect the quality specifications required for its release to the transmission network (correction of the Wobbe index).
The new capacity allocation mechanisms through auction, as well as the new businesses in the sector of SSLNG linked, in particular, to possible future uses in heavy good transport and shipping, lead us to hypothesise further growth in LNG consumption over the next few years.
In 2018, GNL Italia supplied 2 active clients (4 in 2017) with the regasification service.

Key performance indicators

(€ million)	2016	2017	2018	Var. ass.	Var. %
Total revenue (a)	19	22	**24**	2	9.1
- of which regulated revenue (a)	*18*	*21*	***20***	*(1)*	*(4.8)*
Total revenue net of pass-through items (a)	19	19	**21**	2	10.5
Operating costs (a)	12	15	**17**	2	13.3
Operating costs net of pass-through items (a)	12	12	**14**	2	16.7
EBIT	(5)	2	**2**		
Technical investments (b)	7	5	**9**	4	80.0
Net invested capital at 31 December	93	89	**86**	(3)	(3.4)
Volumes of regasified LNG (billions of cubic metres) (c) (d)	0.21	0.63	**0.90**	0.27	42.9
Tanker loads (number)	5	15	**21**	6	40.0
Employees in service at 31 December (number)	71	63	**64**	1	1.6

(a) Before consolidation adjustments.
(b) Investments remunerated at the pre-tax real base WACC, amounting to 6.6% for 2016, 2017 and 2018. For 2016 only, the pre-tax real base WACC is plus 1% lump sum surcharge to offset the regulatory lag.
(c) With reference to 2018, gas volumes are expressed in standard cubic metres (SCM) with an average traditional higher heating value (HHV) conventionally of 38.1 MJ/SCM (10,572 Kwh/SCM).
(d) The regasified quantities are shown gross of self-consumption and losses (QCP component), equal to 1.7% for the Panigaglia terminal.

RESULTS

Total revenue amounted to 24 million euro, an increase of 2 million euro, or 9.1%, compared with FY 2017. Net of components offset in costs [12], total revenue amounted to 21 million euro, up by 2 million euro, or 10.5%, compared with FY 2017. The increase is mainly due to the greater unregulated revenues from sales of natural gas made on the balancing platform.

The **regulated revenues**, amounting to 20 million euro, include the fees for the regasification service (17 million euro; -1 million euro on 2017) essentially relating to the share of the guarantee factor for the year 2018, provided for in art. 18 of Annex A to Resolution 438/2013/R/gas, and the chargeback to users of charges relating to the natural gas transportation service provided by Snam Rete Gas S.p.A. (3 million euro; no change on 2017).[13]

EBIT amounted to 2 million euro, unchanged compared with FY 2017. The greater revenue obtained from natural gas sales was offset by the greater operating costs against the related picking from the warehouse.

12 Revenues offset in costs refer to the costs that GNL charges back to its own customers for using the transportation service provided by Snam Rete Gas.
13 For the purposes of the consolidated financial statements, this revenue is eliminated, along with transportation costs, by GNL Italia S.p.A. in order to represent the substance of operations.

TECHNICAL INVESTMENTS

Technical investments in FY 2018 totalled 9 million euro (5 million euro in 2017) and involved maintenance projects aimed at assuring the modernisation, technological adjustment and safety of the plant systems.
These include: (i) engineering interventions on tanks (2 million euro); (ii) interventions on the pier (approximately 1 million euro); (iii) revamping of plants (1 million euro); (iv) miscellaneous IT and property interventions (1 million euro).

OPERATING REVIEW

During 2018, 0.91 billion cubic metres of LNG were regasified at the Panigaglia (SP) LNG terminal (0.63 billion cubic metres in 2017; +0.28 billion cubic metres; +44.4%).
In 2018, 21 methane tanker loads were unloaded (15 in 2017; + 40%).

Provision and development of regasification services

	2016	2017	2018
Active customers (shippers)	4	4	**2**
Compliance with the maximum period of interruption/reduction in capacity at the terminal due to maintenance works (%)	100	100	**100**

Organisational changes

As part of the integration of Snam's Italian assets, which began on 01 July 2017, the LNG operational departments strengthened their direct overseeing of the core business of regasification and strengthened the processes whose activities have been centralised with Snam and Snam Rete Gas.
In 2018, as part of the rationalisation and simplification project of Snam's current regulations, 6 new rules were issued, which will simplify and standardise the operative processes.
At end 2018, staff in service were basically in line with 31 December 2017.

Accidents

In 2018, there were 0 accidents involving both employees and contract workers.

Accidents at work

(no.)	2016	2017	2018
Total employee accidents	1	1	**0**
Total contract worker accidents	0	0	**0**

Accident indices

	2016	2017	2018
Employees			
Frequency index (*)	8.65	9.31	**0**
Severity index (**)	0.660	0.17	**0**
Contract workers			
Frequency index (*)	0	0	**0**
Severity index (**)	0	0	**0**

(*) Number of accidents at work resulting in an absence of at least one day, per million hours worked.
(**) Number of working days lost (calendar days) in relation to accidents at work resulting in absence of at least one day, per thousand hours worked. These data have been calculated taking fatal accidents into consideration.

Energy consumption and emissions

	2016	2017	2018
Energy consumption (TJ)	128	325	**462**
Emissions of CO_{2eq} – scope1 (ton) (*)	54,298	44,421	**41,407**
Natural gas emissions (106 m^3)	2.9	1.7	**1.2**
NO_x emissions (tonnes)	5.5	14.8	**22.4**

(*) CO_{2eq} emissions were calculated based on a Global Warming Potential (GWP) for methane of 28, as indicated in the scientific study carried out by the Intergovernmental Panel on Climate Change (IPCC), "IPCC Fifth Assessment Report".

In 2018, energy consumption for gas regasification increased by 42%, a rise that is entirely in line with the quantity of gas regasified (+42%). Total nitrogen oxide emissions in 2018 came to 22 tonnes with respect to the 15 in 2017, with a performance in line with the growth of the gas treated. Finally, natural gas emissions have dropped drastically on 2017, going from 1.7 to 1.2 million of m3, due to the greater continuity in the use of the terminal as compared with previous years.

Regulations concerning the business segment

Relations with the regulatory authority

(no.)	2016	2017	2018
Responses to consultation documents (*)	1	2	**1**
Tariff proposals	1	1	**2**
Data collections	25	28	**34**
Proposals to amend/update contractual documents and codes (**)	3	0	**3**
Proposal to amend/update contractual documents and codes (approved)	0	0	**3**

(*) In 2018, a similar number of responses to consultation documents was supplied through trade associations.
(**) Also includes proposals still being evaluated by the Authority, including contractual documents and agreements with operators in the context of regulated services.

Regulation transition period 2018-2019

Criteria for adjusting the tariffs for the natural gas transport service for the transition period in the years 2018 and 2019

By means of Resolution 653/2017/R/gas, published on 02 October 2017, the Authority approved tariffs for the LNG regasification service for the transitional period 2018-2019. The resolution confirmed the main criteria of the regulation currently in force, with some modifications:

- the asset β parameter was confirmed for the Transitional Period 2018-2019. The WACC value of 6.6% in real pre-tax terms is therefore confirmed for 2018, and will be determined for the year 2019 by updating the basic parameters;
- the investments made in the year t-1 will be included in the investment capital for the purpose of determining the tariffs for year t, replacing the 1% increase in the WACC to cover the regulatory time-lag. The 1% increase in the WACC covering the regulatory time-lag has been applied to investments made in the period 01 January 2014-31 December 2016;
- the input-based incentive scheme (2% for 16 years for the upgrading of regasification capacity) will be applied to new development investments that come into service by 31 December 2017;
- an input-based incentive scheme (1.5% for 12 years) will be applied to investments for constructing new regasification capacities that will become operational in the years 2018 and 2019;
- the operating costs recognised in the fourth regulatory period will be updated according to inflation, and a productivity recovery factor (X-factor);
- the current provisions relating to the revenue coverage factor are confirmed.

Tariff regulations for 2018

With Resolution 878/2017/R/gas, "Determination of the tariffs for the LNG regasification service of the company GNL Italia S.p.A., for the year 2018", the Authority approved the recognised revenues for the regasification service for the year 2018 on the basis of the proposal presented by GNL Italia. The tariffs were set on the basis of a reference revenue of €26.9 million. The revenue coverage factor has been set at 64% of the reference revenue. As at 31 December 2017, the RAB for regasification activities was €107.9 million.

Update of the rate of remuneration of the invested capital for regulatory purposes (WACC) for 2019

With Resolution 639/2018/R/gas, published on 06 December 2018, the Authority performed the infra-period update of the basic parameters of the WACC common to all regulated infrastructural services of the electricity sector, for the three years 2019-2021 and for the regulated infrastructural services of the gas sector, for 2019, fixing for the regasification business, this value at 6.8% (6.6% for the years 2016-2018).

For infrastructural services other than gas distribution and metering, the Authority has arranged for a gearing level D/E of 1, whilst the Beta parameter will be determined during the rate regulation of the individual businesses, starting 2020. The WACC for the years 2020 and 2021 will be determined after the beta parameter has been set for regulatory period 5.

For more information on the values of the parameters used by the authority to determine the above value, please see the section entitled "Regulation concerning the business segment - Natural gas transmission" of this Report.

Tariff regulations for 2019

With Resolution 695/2018/R/gas, "Approval of the tariffs for the LNG regasification service for the year 2019 and amendments and supplements to the RTRG", published on 20 December 2018, the Authority approved the recognised revenues for the regasification service for the year 2019 on the basis of the proposal presented by GNL Italia. The tariffs were set on the basis of base revenue of 26.7 million euro. The revenue coverage factor has been set at 64% of the reference revenue. The RAB for regasification activities was 108.7 million euro.
At the same time, the Authority has published the definitive 2018 revenues, based on the final 2017 equity data, which totalled 26.7 million euro.

Natural gas storage

16.9 bn m^3
Total storage capacity

21.7 bn m^3

Gas moved through the storage system

9 **Operating concessions**

The total storage capacity in 2018, including strategic storage, amounts to 16.9 billion cubic metres: the largest capacity at the European level.

Through its subsidiary company Stogit, Snam is the largest storage operator in Italy, with a 98% share of total available storage capacity, and one of the largest operators in Europe.

The storage system makes it possible to compensate for the different requirements for gas supply and consumption: whilst supply has a substantially constant flow throughout the year, the demand for gas is concentrated mainly in the winter period. Storage also ensures that quantities of strategic gas are available to compensate for any lack of or reduction in non-EU supply or crises in the gas system.

The storage business makes use of integrated infrastructure comprising deposits, wells, gas treatment plants, compression stations and the operational dispatching system. Snam has nine storage concessions located in Lombardy (five), Emilia-Romagna (three) and Abruzzo (one). In 2015, the new Bordolano site started operating, gradually increasing the capacity offered by a total of 950 million scm.

Stogit supplies its storage services (peak modulation, uniform modulation, strategic, transporter balancing, mining, short-term conferral services and, as from 2018, the new Fast Cycle service[14]) to 91 operators on the basis of a Storage Code approved by the Autorità di Regolazione per Energia Reti e Ambiente (the Italian Environment and Networks Energy Regulatory Authority, or “ARERA”).

Thanks to the investments made into developing new fields and strengthen existing ones, the total storage capacity at the end of 2018, considering equal strategic storage, reached 16.9 billion cubic metres (+ 0.2 billion cubic metres compared to 2017), following the gradual commissioning of the Bordolano field.

In 2018, 21.07 billion cubic metres of natural gas was moved through the storage system, an increase of 1.15 billion cubic metres, or 5.7%, compared with 2017, following both the greater storage injections (+8.6%) and the greater deliveries from storage (3.1%).

On 28 October 2018, Stogit reached a modulation volume in stock held at the storage system of 11,874 million standard cubic metres of gas (MSm3), thereby booking a new all-time high, exceeding the previous level of 11,835 MSm3, reached on 31 October 2017. A result that attests to Stogit's ability to respond to both the needs of the national market as well as the contingent dynamics linked to international markets and policies, which can significantly modify demand by increasing the value of business with policies to support the security of supplies.

14 Storage service that envisages a willingness to provide constant injection and delivery during the Thermal Year.

Key performance indicators

(€ million)	2016	2017	2018	Change	% change (**) %
Total revenue (a)	584	601	**603**	2	0.3
- of which regulated revenue (a)	*583*	*598*	***599***	*1*	*0.2*
Total revenue net of pass-through items (a)	503	511	**507**	(4)	(0.8)
Operating costs (a)	151	165	**168**	3	1.8
Adjusted operating costs net of pass-through items (a)	70	75	**72**	(3)	(4.0)
EBIT	346	339	**335**	(4)	(1.2)
Technical investments (b)	117	101	**99**	(2)	(2.0)
Net invested capital at 31 December	3,421	3,429	**3,397**	(32)	(0.9)
Concessions (number)	10	10	**10**		
- of which operational (c)	*9*	*9*	***9***		
Natural gas moved through the storage system (billions of cubic metres) (d)	20.00	19.92	**21.07**	1.15	5.8
- of which injected	*9.96*	*9.80*	***10.64***	*0.84*	*8.6*
- of which withdrawn	*10.04*	*10.12*	***10.43***	*0.31*	*3.1*
Total storage capacity (billions of cubic metres)	16.5	16.7	**16.9**	0.2	0.9
- of which available (e)	*12.0*	*12.2*	***12.4***	*0.2*	*1.2*
- of which strategic	*4.5*	*4.5*	***4.5***		
Employees in service at 31 December (number)	301	60	**59**	(1)	(1.7)

(a) Before consolidation adjustments.
(b) Investments remunerated at the pre-tax real base WACC of 6.5%.
(c) Working gas capacity for modulation services.
(d) The volumes of gas are expressed in Standard cubic metres (SCM) with an average higher heating value (HHV) conventionally equal to 39.29 MJ/Smc (10.914 Kwh/SCM) for natural gas storage activities for the thermal year 2018-2019 (39.4 MJ/SCM, 10.930 Kwh/SCM, for the thermal year 2017-2018).
(e) Working gas capacity for modulation, mining and balancing services. The figure indicated represents the maximum available capacity, which was allocated in full for the 2018-2019 thermal year.

RESULTS

Total revenue amounted to 603 million euro, an increase of 2 million euro, or 0.3%, compared with FY 2017. Total revenue net of items offset in costs[15] was 507 million euro, representing a decrease of 4 million euro or 0.8% compared with FY 2017.

Regulated revenue (599 million euro) mainly comprised fees for the natural gas storage service (510 million euro) and the fees charged back to users relating to the natural gas transmission service provided by Snam Rete Gas S.p.A. (87 million euro)[16]. Regulated revenue, net of components offset in costs, total 503 million euro, down 5 million euro or 1.0% on FY 2017. This is mainly due to the tariff update mechanisms and the lesser recognition by the Authority of contribution costs for compensation to Regions pursuant to Italian Law no. 244 of 24 December 2007[17] (-2 million euro).

The **non-regulated revenues** equal to 4 million euro (3 million euro in 2017) mainly refer to income derived from insurance reimbursements.

Operating profit achieved in 2017 amounted to 335 million euro, down by 4 million euro or 1.2%, compared to FY 2017. The reduction can be attributed to lower storage revenue (-3 million euro, net of components offset in costs) and higher amortisation, depreciation and impairment (-3 million euro), due to the entry into service of new infrastructures, referring, in particular, to the Bordolano site.

TECHNICAL INVESTMENTS

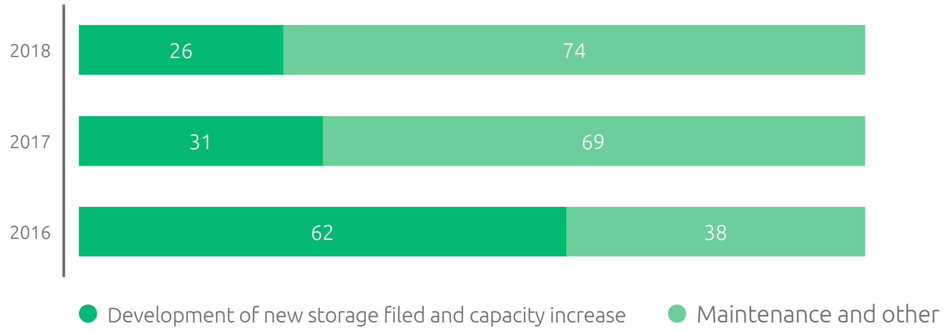
Technical investments in 2018 totalled 99 million euro, a decrease of 2 million euro (-2.0%) compared with the previous year (101 million euro), and refer to the development of new fields and upgrading of capacity (26 million euro) and maintenance and other investments (73 million euro).

The main investments in the development of new fields and upgrading of capacity (26 million euro) primarily concerned the following initiatives:

- Minerbio (16 million euro) for activities related to installing the new TC7 compression unit;
- Cortemaggiore (6 million euro) for the start-up of drilling, with the development of the station and supply of materials;
- Sabbioncello (1 million euro), for the purchase of material related to the installation of the new ESD/PSD safety system.

Investments in maintenance and other (73 million euro) mainly relate to the rationalisation of the Cortemaggiore plants (10 million euro), the work over of the Sabbioncello shaft (6 million euro) and IT and property activities (totalling 16 million euro).

Investment breakdown by type (% of total investments)



15 These components refer mainly to revenue from the redebiting to storage users of charges relating to the natural gas transportation service provided by Snam Rete Gas S.p.A. For the purposes of the consolidated financial statements, this revenue is eliminated in relation to Stogit S.p.A., together with transportation costs, in order to represent the substance of the operation.

16 Resolution 64/2017/R/gas of 16 February 2017 established that almost all expenses relating to the natural gas transmission service, starting 01 April 2017, shall no longer be debited to storage service users, but rather liquidated directly by the CSEA.

17 With Resolution 855/2017/R/ gas published on 15 December 2017, the Regulatory Authority has established that these costs are allocated to the storage company by applying the revenue restriction (the so-called SG Factor), thus ensuring neutrality.

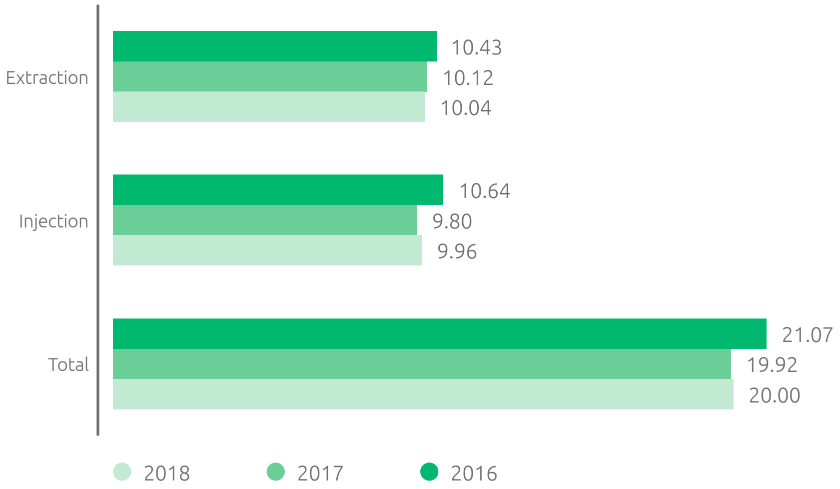
Thanks to the significant investments made to develop new deposits and upgrade existing ones, Stogit exceeded the previous maximum quantity of gas deposits in its storage systems, thereby increasing its volume and peak capacity. Total storage capacity as at 31 December 2018, including strategic storage, was 16.9 billion cubic metres (+0.2 billion cubic metres compared with 2017, made available by the new Bordolano deposit), of which 12.4 billion cubic metres related to available capacity almost fully allocated for the thermal year 2018-2019 (equal to 99.7% of the available capacity) and 4.5 billion cubic metres related to strategic storage (unchanged compared with thermal year 2017-2018, as established by the Ministry of Economic Development by means of the notice dated 06 February 2018)[18].

OPERATING REVIEW

Gas moved through the storage system

Volumes of gas moved through the storage system in FY 2018 amounted to 21.07 billion cubic metres, an increase of 1.15 billion cubic metres, or 5.8%, compared with FY 2017.
The increase can be attributed to both greater injections for filling storage (+0.84 billion cubic metres; + 8.6%) and to greater deliveries from storage (+0.31 billion cubic metres; +3.1%), mainly following the climatic conditions in the first few months of 2018.

Natural gas moved through the storage system (billions of cubic metres)



18 On 06 February 2018, the Ministry confirmed the total volume of strategic storage for the contractual year 2018-2019 (01 April 2018-31 March 2019) at 4.62 billion cubic metres, unchanged on thermal year 2017-2018 (01 April 2017-31 March 2018). The Stogit share was unchanged at 4.5 billion cubic metres. By circular letter of 08 January 2019, the same Ministry confirmed for storage thermal year 2019-2020 (01 April 2019-31 March 2020), the strategic gas storage volume of 4.62 billion standard cubic metres, of which 4.5 billion cubic metres are the competence of Stogit.

Provision and development of storage services

	2016	2017	2018
Active customers (shippers)	91	89	**91**

In 2018, the integration process continued, as had begun in July 2017, which caused the commercial management activities of the three businesses regarding transmission, storage and regasification, to flow into a single organisation. In order to manage exchanges among operators and relationships with them, over time Snam has developed IT systems and web portals that now represent a unique feature of the Company that is upgraded regularly.
In this regard, the comprehensive overhaul of the Snam website was completed, redefining the sections relating to the gas transmission, storage and regasification businesses with the aim of improving use of the information by clients and introducing graphic forms of representation.
Network codes list a number of indicators for monitoring the quality of service offered by the companies. Snam companies continued to maintain excellent performance with respect to these indicators in 2018. One part of these indicators, which refers to specific levels of business quality, gives rise to automatic indemnification of customers in the event of a failure to comply with service quality standards.

(%)	2016	2017	2018
Storage capacity allocated under contract/Available storage capacity	100	99.9	**99.7**
Compliance with deadlines for performing services subject to specific business quality standards	100	100	**100**
Connection flow lines subject to supervision	100	100	**100**
Total capacity not made available following interruptions/reductions to the service	0	0	**0**

Organisational changes

At end 2018, staff in service numbered 59 resources, in line with 31 December 2017 (60 resources).
In 2018, under the Operations area, the roll-out was completed of SmartGas, also in the compression plants.
With a view to enhancing and organisation of the synergic integration of Italian assets and, after the transfer process of the Stogit business unit "Plants and Technical Services" in 2018, the skilled roles of Snam Rete Gas in the context of Plant Management, Dispatching & Measurements, Engineering and Construction and Supply Chain, as defined by the service contracts, have strengthened and made concrete action aimed at assuring direct control of the operations, maintenance and control activities for storage facilities, storage dispatching operations and engineering activities, and implementation of investment projects related to surface facilities, improvements to plant engineering and the procurement of goods, works and services. More specifically, two mixed storage and transmission poles have been developed for the operation and maintenance of two new compression plants, Minerbio and Sergnano.
Additionally, in 2018 the integrated (transmission-storage) dispatch management project was completed.
In 2018, as part of the project to rationalise and simplify the current Snam regulations, 6 new rules were issued, which will simplify and standardise the operative processes.

Accidents

In 2018, there were 0 accidents involving both employees and contract workers.

Accidents at work

(no.)	2016	2017	2018
Total employee accidents	1	2	**0**
Total contract worker accidents	1	0	**0**

Accident indices

	2016	2017	2018
Employees			
Frequency index (*)	2.00	6.71	**0**
Severity index (**)	0.110	0.43	**0**
Contract workers			
Frequency index (*)	1.27	0	**0**
Severity index (**)	0.07	0	**0**

(*) Number of accidents at work resulting in an absence of at least one day, per million hours worked.
(**) Number of working days lost (calendar days) in relation to accidents at work resulting in absence of at least one day, per thousand hours worked. These data have been calculated taking fatal accidents into consideration.

Energy consumption and emissions

In 2018, energy consumption for storage rose by 11%, an increase that is in line with the quantity of gas stored in the deposits (+9%). Total nitrogen oxide emissions in 2018 came to 236 tonnes (+34% on 2017), which are due both to the increase in gas storage and the need to use non-DLE Minerbio turbo compressors due to the temporary unavailability of the low-emissions ones. To reduce these emissions, starting 2019 the Minerbio compression plant will only have low-emissions turbo compressors (DLE).

Energy consumption

	2016	2017	2018
Energy consumption (TJ)	4,985	4,787	**5,337**
Emissions of CO_{2eq} – scope1 (t) (*)	461,976	447,662	**475,752**
Emissions of natural gas (10^6 m^3)	10.7	10.7	**10.5**
NO_x emissions (t)	201	175	**235.7**

(*) CO_{2eq} emissions were calculated based on a Global Warming Potential (GWP) for methane of 28, as indicated in the scientific study carried out by the Intergovernmental Panel on Climate Change (IPCC), "IPCC Fifth Assessment Report".

REGULATIONS CONCERNING THE BUSINESS SEGMENT

Relations with the regulatory authority

(no.)	2016	2017	2018
Responses to consultation documents (*)	2	0	**1**
Tariff proposals	3	5	**3**
Data collections	89	91	**122**
Preliminary investigations (**)	1	2	**0**
Proposal to amend/update contractual documents and codes (***)	4	4	**3**
Proposal to amend/update contractual documents and codes (approved)	1	2	**2**

(*) In 2018, a similar number of responses to consultation documents was supplied through trade associations.
(**) Information sent to the Authority during 2018 with reference to investigations in the context of the sector. This includes exploratory investigations.
(***) Also includes proposals still being evaluated by the Authority, including contractual documents and agreements with operators in the context of regulated services.

Tariff regulations for 2018

By means of Resolution 360/2018/R/gas "Final approval of the business revenue for the storage service relative to 2018, for the companies Stogit S.p.A. and Edison Stoccaggio S.p.A.", published on 29 June 2018, the Authority gave final approval of the reference revenue for the storage service for 2018 for the company Stogit, which considers the annual final equity increases relative to 2017. The recognised revenues amounted to 500.5 million euro. The RAB for storage activities was €4.0 billion.
By means of Resolution 855/2017/R/gas, published on 15 December 2017, the Authority provisionally approved the revenue for the storage service for 2018, as per the proposal presented by Stogit. This is aimed at providing a reference figure for calculating the fees for the allocation of storage capacity.

Temporary period regulations for 2019

By means of Resolution 68/208/R/gas "Start of proceedings for the formation of provision on tariffs and quality of the natural gas storage service for the fifth regulatory period (5PRS) and extension of the criteria in force to 2019", published on 09 February 2018, the Authority extended for 2019 the tariff criteria of the Storage service in force in the period 2015-2018, confirming the value of the β asset parameter. The procedure was also launched for the review of the criteria for regulatory period 5, which will start from 2020, similarly to the transmission and regasification business, and during which the possibility of implementing a "totex" type regulatory approach, will be considered.

For 2019, the Authority has also extended regulation on the quality of the natural gas storage service for the period 2015-2018.

Update of the rate of remuneration of the invested capital for regulatory purposes (WACC) for 2019

With Resolution 639/2018/R/gas, published on 06 December 2018, the Authority performed the infra-period update of the basic parameters of the WACC common to all regulated infrastructural services of the electricity sector, for the three years 2019-2021 and for the regulated infrastructural services of the gas sector, for 2019, fixing for the storage business, this value at 6.7% from the previous 6.5% (6.5% for the years 2016-2018).
For infrastructural services other than gas distribution and metering, the Authority has arranged for a gearing level D/E of 1, whilst the Beta parameter will be determined during the rate regulation of the individual businesses, starting 2020. The WACC for the years 2020 and 2021 will be determined after the beta parameter has been set for the 5 regulatory period.
For more information on the values of the parameters used by the authority to determine the above value, please see the section entitled "Regulation concerning the business segment - Natural gas transmission" of this Report.

Tariff regulations for 2019

By means of Resolution 696/2018/R/gas, published on 20 December 2018, the Authority provisionally approved the corporate base revenue for the storage service for 2019, as per the tariff proposal presented by Stogit. These revenues came to 499.5 million euro and will be updated upon approval of the definitive revenues, determined using the final equity increases for 2018. The RAB for storage activities was 4.0 billion euro.

Other provisions

Storage service incentive mechanisms

With consultation document 155/2018/R/gas "Introduction of incentive mechanisms for the supply of storage services", published on 19 March 2018, the Authority considered the introduction of a mechanism that would encourage storage companies to make additional flexibility available with respect to that envisaged in the "basic" storage services. These products will supplement those currently supplied on a monthly, weekly and daily basis and will enable completion of the range of "forward" storage services available, allowing users to benefit from additional services within a prefixed term or to transfer part of their provisions over time.
The premium for the storage company, in addition to the revenue recognised, will be equal to a percentage of the proceeds deriving from the conferral of such products, with an average value expected to be around 40% of these proceeds. The submission of observations was concluded last 20 April 2018.

Resolution 350/2018/R/gas - "Provisions on settlement relating to storage services for the 2018-2019 thermal year"

With Resolution 350/2018/R/gas published on 22 June 2018, the Authority envisaged, in continuity with the 2017-2018 thermal year, provisions for the issue of sterilising the impact of transferring storage capacity at fees below the regulated tariff, to guarantee the storage companies have a revenue flow that is substantially equivalent to that obtained by applying, to the capacity allocated through auction, of the corresponding tariffs. The resolution envisages the offsetting through the Cassa per i servizi energetici e ambientali (Energy and Environmental Services Fund or "CESA") of the difference in price between the storage tariff and the price of assignment by auction applied to the capacity conferred, as well as the offsetting of costs for the purchase of transmission capacity, incurred by the storage company.
Moreover, with reference to the proceeds deriving from the sale of capacity released on a day-ahead basis by the transmission operators, the resolution establishes that starting 01 April 2018, storage companies shall pay these proceeds to CSEA (at present, they are rebated to the TSOs) and that the TSOs will pay CSEA the proceeds collected in connection with thermal year 2017-2018.

Resolution 614/2018/R/gas - "Short-term storage services - definition of incentive parameters for the delivery phase"

By this resolution, published on 30 November 2018, the Authority introduced for the delivery phase of Thermal Year 2018-2019, a system of incentives for the supply by Stogit of additional storage capacity with respect to that envisaged in the "basic" storage services.
The incentive mechanism envisages the withholding of a premium by Stogit, in addition to the revenues recognised, equal to a percentage of the proceeds deriving from the conferrals of additional capacity (profit sharing).

The profit sharing is fixed:

- at 100% of the cost function for the purchase and sale of fortnight delivery capacity (advances/postponements of capacity);
- at 30% for the sale of capacity on a monthly, weekly, daily and infra-daily basis.

An increase to 50% is envisaged of the profit sharing pursuant to point (b) when Stogit makes available additional functions relative to the daily and infra-daily capacity conferral process; these functions were activated by Stogit starting 07 January 2019, with the consequent increase to 50% of profit sharing.