



## **OGdS: participation and recognition**

Twenty-five years after its foundation, ARERA (Autorità di Regolazione per Energia Reti e Ambienti) has established the "Mechanism for recognising General System Charges not collected from end customers and already paid to distribution companies".

This mechanism is designed to compensate for any shortfall in collection by defaulting customers. In fact, the mechanism was established in the interest of transport users (the only ones who pay the OGdS to the companies) in order to

- ensure the efficiency of the transport service and of the transport user;
- keep costs down for consumers, and finally, not to burden the transport user with any burdens arising from non-payment by consumers.

The transport user is the only one who can apply for participation in the mechanism to CSEA (Cassa per i Servizi Energetici e Ambientali) for uncollected OGdS related to contracts in force or terminated from the moment of applying for participation in the mechanism itself. The two types of contract mentioned above identify contracts linked to the free market, the safeguard service and the graduated protection service.

When applying for the mechanism, the user can choose between two regimes:

- Ordinary regime;
- Simplified regime.

The choice of regime is crucial because the amount recognised will depend on the regime itself.

With the application of the Ordinary Scheme formula, General Charges not collected by the transport user are taken into account, such as invoices overdue by twelve months to which a late payment has been applied or General Charges waived on the basis of assignment, restructuring and settlement agreements. In addition, the efficiency level of the transport user itself is taken into account.

The formula of the simplified scheme, on the other hand, also takes into account the non-collection of the transport user but the value of the General Charges depends on the company's accounts according to the parameters of the TIUC and the approved annual accounts.

The application is submitted to the CSEA and is differentiated for the types of contracts relating to the free market, service and gradual protection, safeguard service and is also differentiated for each transport contract terminated (for the transport contracts terminated it will be necessary to highlight the individual General Charges not collected with annex the time variation).

With the ordinary and simplified regime, each highlighted amount and the total of the General System Charges shown in the invoices in relation to the period of application for participation in the mechanism are taken into account. All documentation relating to cases of arrears and credit protection is presented, as well as documentation attesting to the truthfulness and correctness of the amounts declared. In the event that the transport user also acts as a commercial counterparty and serves one or more commercial counterparties, a declaration in lieu of affidavit must be submitted with the application for participation, stating that the transport user has read the declarations made by the commercial counterparties and the invoices issued for recognition of the mechanism. This documentation shall be accompanied by a report by a statutory auditing company confirming the authenticity and correctness of the declarations on the basis of the certified financial statements. If the transport user opts for the simplified regime, he must also take into account the different value of the uncollected OGdS on the basis of the customer portfolio of the calendar

year, the type of customer, residence characteristic, supply voltage and other characteristics already defined.

Finally, for both the ordinary and simplified regime, he must record (for possible controls by the competent authority): all documentation regarding the amount of the recognition and in the case of counterparty also all documentation regarding the commercial counterparty.

The auditor's work consists in verifying the correspondence of the data shown in the statement of the declared amounts of the OGdS prepared for the purposes envisaged by ARERA Resolution no. 32/2021/R/eel of 2 February 2021 with the results of the accounting records and the correspondence of the data shown in the accounting records with the related documentation.

This activity is essentially carried out by conducting interviews with the persons of reference to understand the origin of the receivables resulting from the Declaration, by verifying the correct reporting of uncollected OGdS and, finally, by verifying the formal correctness and internal consistency of the statement, including the mathematical accuracy of the calculations used to determine uncollected OGdS.

At the end of the audit, the auditor should require management to provide a written attestation that it has fulfilled its responsibilities in relation to the preparation of the schedule of reported amounts of OGdS in accordance with the applicable regulatory framework.

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