

ITALY

FINANCING LONG TERM LIABILITIES

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Abstract

In the '80 even if there were no precise law disposition in this specific matter, Enel has created a fund for the plants decommissioning and a fund for the irradiated fuel management. A setting aside pluriannual plan has been defined. Cumulated funds transferred to the Sogin at the date of its constitution amount to about 1500 MLD ITL (750 MEuro). This amount was adequate to complete decommissioning activities within the Safe Store strategy.

Following the separation of Sogin from Enel, a funding mechanism has been defined to provide resources for additional costs deriving from the different economic conditions (new discount rate and taxes), from the management costs for the new company, and from the change in strategy (from Safe Store to DECON).

A Decree of the Ministry of the Industry, issued on 26th January 2000, states that the above mentioned extra costs for Sogin shall be financed on a levy on the price of the sold kWh. Every year Sogin shall present the program of future activities, with associated costs: on this basis, the national Authority for Electric energy and Gas (the national body which defines tariff policy) shall re-evaluate the global amount to be granted to Sogin and the levy on the price of the kWh due to Sogin for next three years. The re-evaluation will take into account economic efficiency criteria. For the period 2002-2004 the Authority has defined a global amount of about 362 M€ to be granted to Sogin, corresponding to ~0,04 cents of Euro per kWh.

The same procedure is foreseen by the Decree in order to finance Sogin for additional costs related to the dismantling of nuclear installations now property of ENEA. In this context, a Consortium between ENEA and Sogin has been established. The Authority for the period 2002-2004 has defined a global amount of about 106 M€ to be granted to the Consortium, corresponding to ~0,015 cents of Euro per kWh



SOGIN


Programs and liabilities
management

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Sogin NPP's

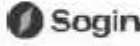


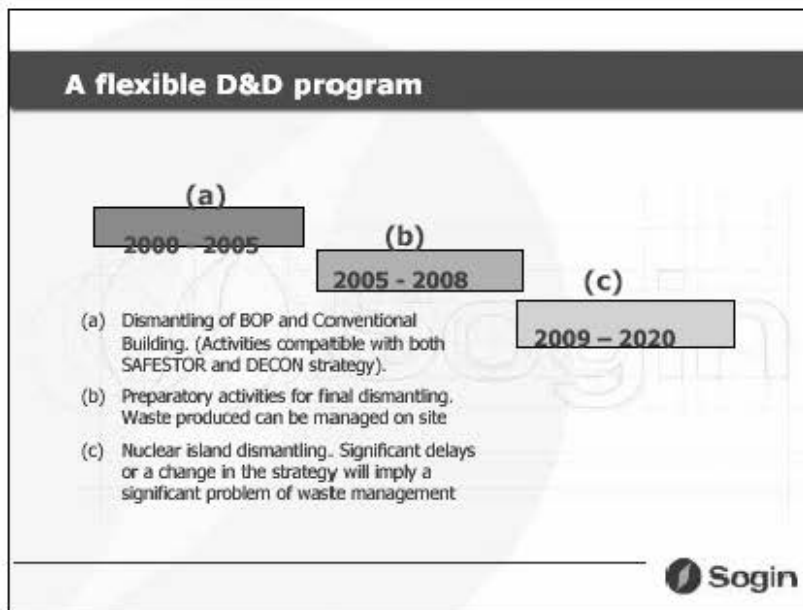
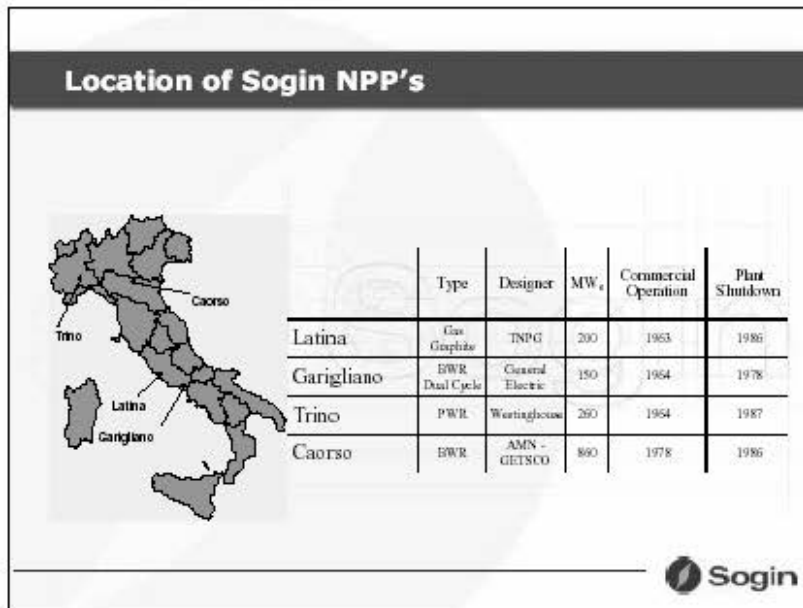
Latina - GCR

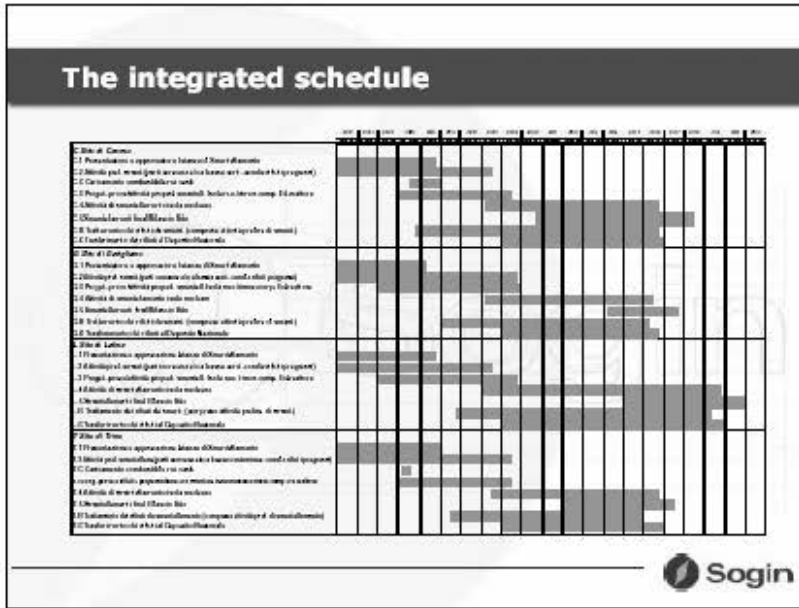
Inno - PWR

Garigliano - BWR

Corso - BWR








Waste to be disposed off

	2 ^a Category [m ³]	3 ^a Category [m ³]	Total [m ³]	Activity (rate 2007) [T/a]
Waste from Sogin HPP's				
Casale	4.900	160	5.060	5.211
Attività di manutenzione base (servizi di supporto e attività)	2.200	100	2.300	1.900
Attività di manutenzione ordinaria	2.700	60	2.760	3.311
Carrifoglio	4.600	20	4.620	1.150
Attività di manutenzione base (servizi di supporto e attività)	2.200	20	2.220	600
Attività di manutenzione ordinaria	2.400	0	2.400	550
Latina	13.400	4.100	17.500	5.710
Attività di manutenzione base (servizi di supporto e attività)	12.200	4.100	16.300	3.250
Attività di manutenzione ordinaria	1.200	0	1.200	246
Tiro	3.700	120	3.820	2.040
Attività di manutenzione base (servizi di supporto e attività)	2.200	20	2.220	1.100
Attività di manutenzione ordinaria	1.500	100	1.600	940
Ungheria, 15%	4.200	600	4.800	0
Total	34.000	4.980	38.980	11.115

	2 ^a Category [m ³]	3 ^a Category [m ³]	Total [m ³]
Waste from ENEA - FI (Contributo SIC)			
Tiro - FI e C	4.200	300	4.500
Comunità - CNA e CNA di Mantova, Nucleo	3.800	2.100	5.900
Saluggia - ENEC	3.500	500	4.000
Monza - Bologno - FI	450	0	450
Total	11.950	2.900	14.850
Grand Total	48.050	7.880	55.930

Spent fuel inventory


N° elements	Quantities		NPP	Current location	Temporary storage	Final destination
		tHM				
1032	190,4		Coorso	Coorso	Coorso	Centralized SF
47	14,5		Trino	Trino	Trino	Centralized SF
40	15,1		Trino	Avogadro	Trino	Centralized SF
63	12,9		Garigliano	Avogadro	Trino	Centralized SF
252	53		Garigliano	Avogadro	N/A	Reprocessing (BNFL)
17	2,7		Caorso	Caorso	Caorso	Centralized SF
40	2,5		Trino	Trino	Trino	Centralized SF
1	0,001		Reprocessing	Trino	Trino	Centralized SF
94	1,888		Enel Riva	ITREC	ITREC	Centralized SF
NA	0,118		Varied	Caorso	Caorso	Reprocessing (UKAEA)



Funding

In Italy, as it is well known, there are no more operational NPPs.

Considerations on decommissioning funding system have to take into account this particular situation



Previously Existing funds (1)

- ① Before plant shutdown, ENEL has cumulated provisions for decommissioning, even in absence of a clear regulatory framework. These provisions were not sufficient for decommissioning, considering the early closure of the plants.
- ② An additional fund was granted to ENEL by the government, in the form of a "credit" to be paid by the "electric system" (CCSE).
- ③ This fund (provisions + credit) was considered sufficient by ENEL for a decommissioning with Safe Store strategy (fund = discounted foreseen costs)



Previously Existing funds (2)

- ① The total fund (provisions + credit) was assigned to Sogin at the incorporation date. The amount, money 1999, was about 800 MC
- ② Considering the new context:
 - new strategy (Prompt Dismantling with site release by 2020)
 - Sogin constitution (societal costs)
 - new economic conditions
 the fund was not considered sufficient for all Sogin tasks
- ③ This conclusion was agreed upon also by the independent "Authority for electric energy and gas".
- ④ A new regulatory framework was therefore defined



Regulatory aspects (1)

- **The Legislative Decree 79/99 has stated that costs for the decommissioning of NPP, fuel cycle back end and related activities should be considered as stranded costs for the general electric system**
- **The same Decree stated that a specific company should have been established for the management of these activities. Consequently, Sogin has been incorporated, all nuclear assets and liabilities of Enel being assigned to the Company. Sogin is responsible for decommissioning and fuel back end, under the policy indicated by the Government**



Regulatory aspects (2)


- **The Ministerial Decree 26.01.2000 precisely defined which costs can be considered as stranded costs. As a matter of fact, the decree confirms that all costs incurred in by Sogin for decommissioning, fuel cycle back end, wastes disposal are to be considered.**
- **The same Decree defines modalities for funding Sogin for the above mentioned activities.**



Funding mechanism (1)

Main Criteria:


- ❶ **Costs are financed with a levy on the price of kWh for final consumers**
- ❷ **The amount of the levy, for different categories of consumers, is defined by the "Authority for electric energy and gas"**

 Sogin

Funding mechanism (2)

Regulatory procedure:


- ❶ **Sogin presents to the Authority, each year by Sept. 30th, a complete program with scheduled activities and cost estimates for the overall project. Present estimates consider a global cost of about 2600MC (constant money 2001)**
- ❷ **The Authority, every three years, determines the total amount of the expenses on the basis of Sogin documentation, taking into account efficiency criteria. Annual re-considerations are possible if major events occur**
- ❸ **On this basis, the Authority defines the amount of the levy**

 Sogin

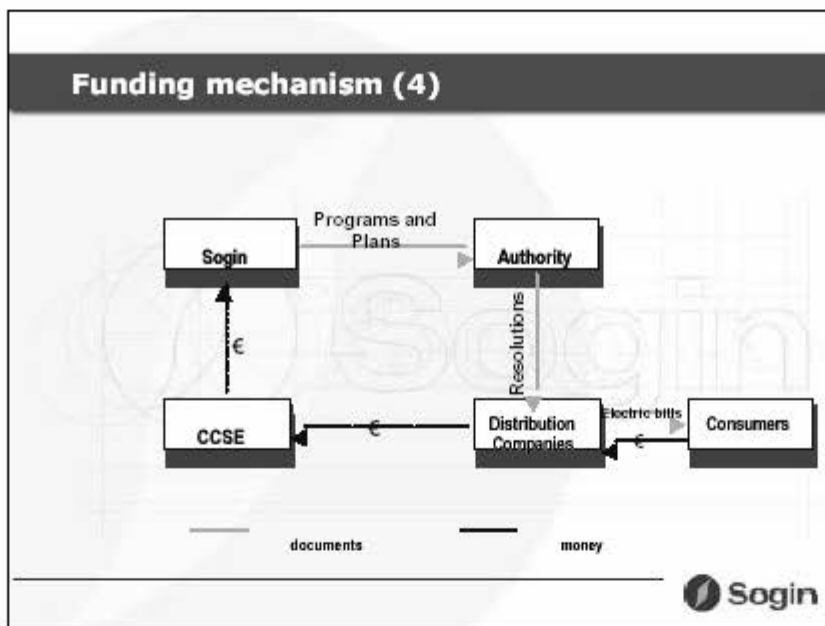
Funding mechanism (3)

Monetary flow:

- 1 Distribution companies pay the related amount to a central Body (CCSE)
- 2 CCSE pays, every two months, the due amount to Sogin.



The slide features a dark header with the title 'Funding mechanism (3)'. Below the title, the text 'Monetary flow:' is followed by a two-point numbered list. The first point states that distribution companies pay to the central body (CCSE), and the second point states that CCSE pays Sogin every two months. A Sogin logo is positioned in the bottom right corner.



Present situation (1)

- ① In early 2002, the Authority issued the first resolution for the determination of decommissioning costs
- ② Specific reference was made to costs foreseen for 2002-2004, in the general context of the pluriannual program. The Authority endorsed the cost estimates of Sogin
- ③ A levy of about 0,04 eurocents/kWh was established; the annual income for Sogin is about 110 MC



Present situation (2)

- ① In summary, Sogin has today a decommissioning fund that is built by two parts:
 - the provision (cash) assigned from Enel (about 400 MC)
 - a credit towards the "electric system", corresponding to the expenses foreseen in next three years period (about 350 MC).

This credit shall be re-determined every three year
- ② It is expected that in the medium term decommissioning costs shall be covered by re-determined credits for successive three year periods
- ③ The cash part of the fund shall be used in the long term
- ④ The "cash" part of the fund is managed by Sogin according to guidelines issued by the Ministry of Economy. At the moment only low risk investment are allowed.



