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Finanza d'Impresa

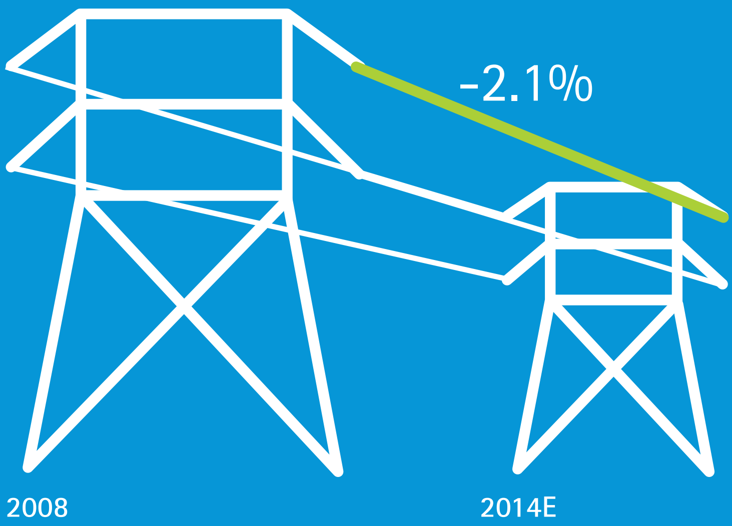
The Utility of the Future:
Call to Action

High performance. Delivered.

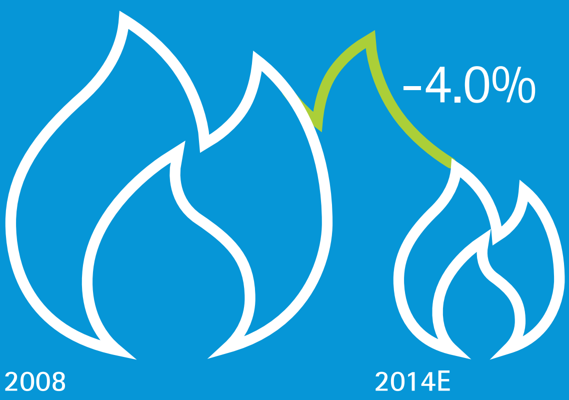
The market context is complex and challenging

Power and gas demand is dropping, further depressed by energy-efficiency initiatives

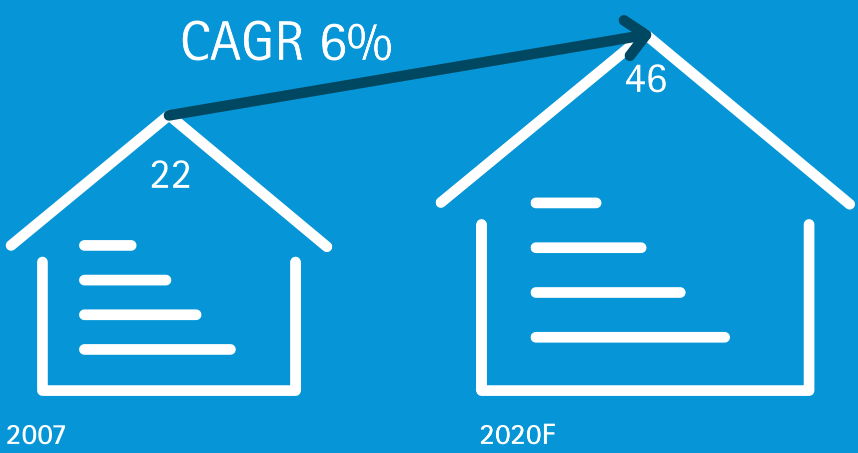
Electricity sales – TWh



Natural gas sales – MM m^3



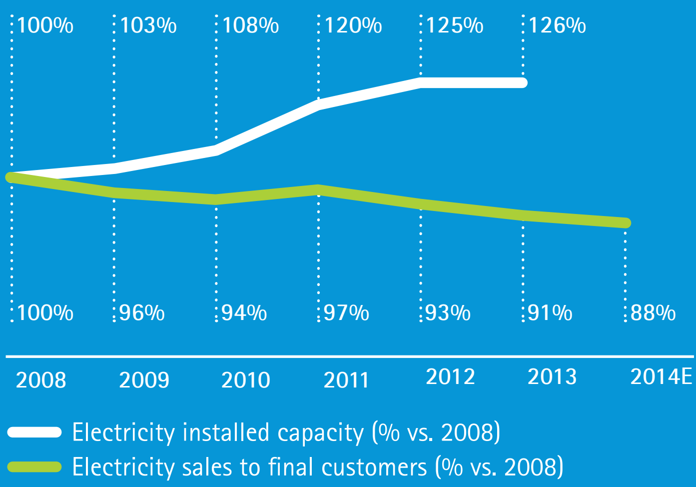
Forecasted expenditures in energy efficiency interventions in the Italian residential sector (billion €/year)



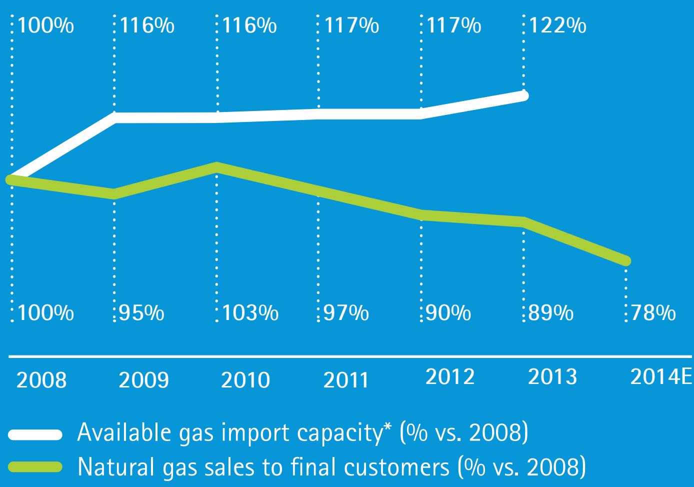
Sources: Accenture analysis; AEEGSI (Italian Authority for Gas, Electricity and Water), Annual Report 2014; Terna statistics; ENEA (Italian National Agency for New Technologies, Energy and Sustainable Economic Development), Piano d'Azione Italiano per l'Efficienza Energetica, Luglio 2014.

Supply is trending overcapacity and margins are being squeezed

Electricity offer and consumption Italy, 2008–2014

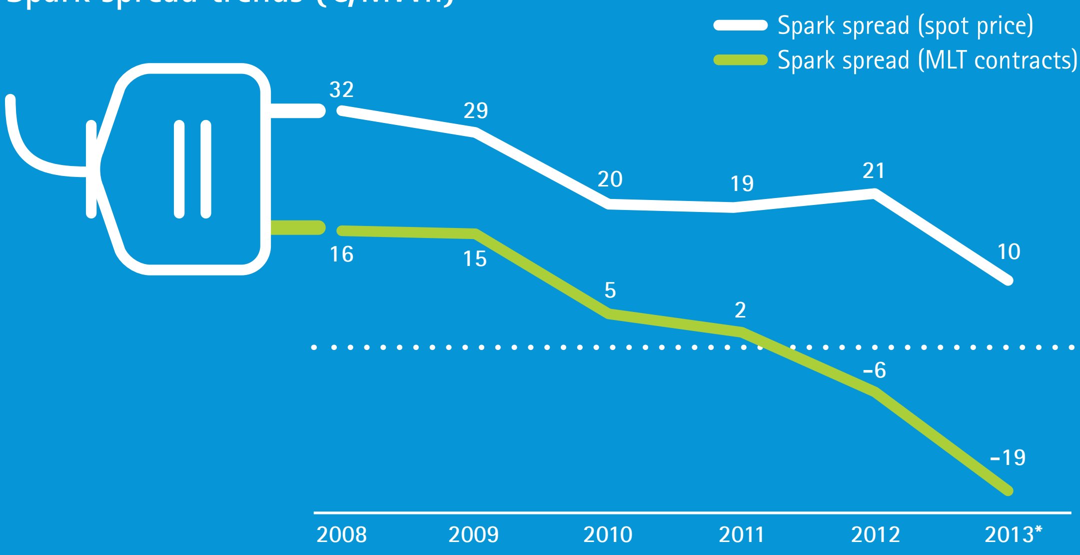


Natural gas offer and consumption Italy, 2008–2014



*Total available capacity: pipeline and LNG terminals.

Spark spread trends (€/MWh)

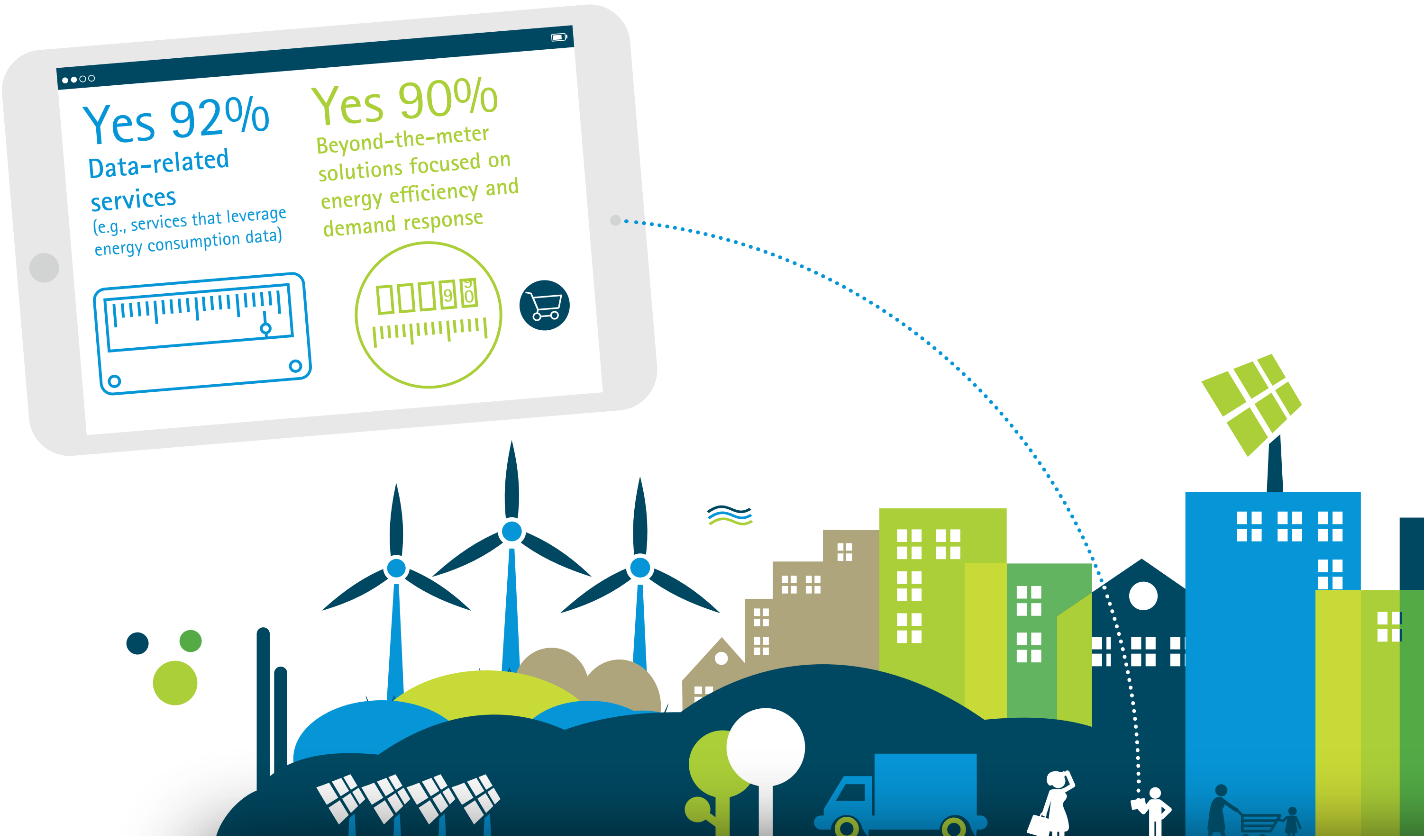


* For 2013, operating hours of CCGTs are estimated.

Sources: Accenture analysis; AEEGSI (Italian Authority for Gas, Electricity and Water), Annual Report 2014; Terna statistics; GME (Manager of Italian Electricity Market); Ministry of Economic Development.

Competition in retail is expected to increase

Do you believe competition from new entrants will increase in the following areas in the next five years?



Recent market and regulatory developments are creating additional uncertainty

- Oil price decrease
- US$/€ exchange
- Italian "Jobs Act" implementation
- "Maggior Tutela" service under discussion
- "Legge Delrio articolo 43" on municipality mergers

Cities are a catalyst for new business opportunities for Utilities

- Metropolitan cities regulation framework
- Emerging technological and digital solutions for smart districts and cities (e.g., S.E.U.)
- €893 million planned funding from the PON METRO

Source: Accenture's Digitally Enabled Grid program, 2014 executive survey.

The roadmap to future opportunities starts with understanding the needs of mayors and evolving end-consumer expectations

Aligning with the cities' future needs: The voice of mayors

Strategic targets for cities?
- Local attractiveness for enterprises (e.g., access to efficient and low-cost services, lean bureaucracy)
- Equality (e.g., social inclusion, reducing unemployment)
- Local attractiveness for people (e.g., development of tourism, culture, sports, health, education)

Need for services improvements?
- Waste collection and disposal
- Local public transportation
- Public buildings

New services to launch?
- Territory assessment
- Water and waste
- Mobility and people

Partners to implement new services?
- Local Utilities
- Private industrial and technological companies

Addressing evolving consumer expectations: The voice of the new energy consumer in Italy

Bundled solutions
71% would consider buying bundles of new products and services from their energy provider

Prosumer
59% express interest in purchasing solar panels in the next five years

Digital notifications
92% would be interested in receiving digitally enabled notifications about service request updates, energy consumptions and bills, outages, etc.

New services
63% would consider their energy provider for monitoring and control solutions

Sources: Agici; The New Energy Consumer: Architecting for the Future, Accenture, 2014.

What is the Utilities CEO perspective?

The path toward agility?

The “antifragility” concept means that companies do not only withstand shocks, but also improve as a result. In other words, organization agility is an imperative and has to guarantee a perfect collaboration among legal entities and business units.

The benefit of insourcing?

Insourcing should be adopted more for innovation and transition than for efficiency. As a result, you can protect future profitability and business sustainability from partners seizing the opportunity of accessing your core business: knowing your clients, their needs and behaviors.

The pros and cons of new alliances/ partnerships?

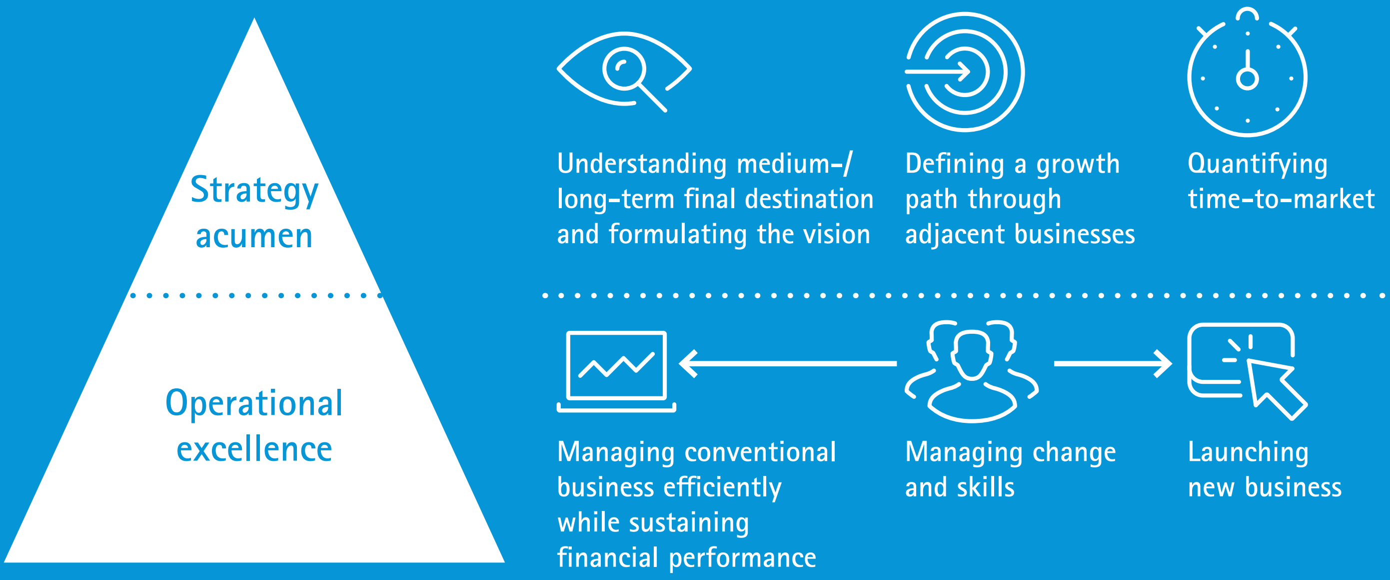
Alliances are an accelerator to access new necessary capabilities, but they have to be done carefully, to prevent a possible cannibalization perpetrated by the partners who might be interested in leveraging utilities' customer base insights.

The risk of non-innovation?

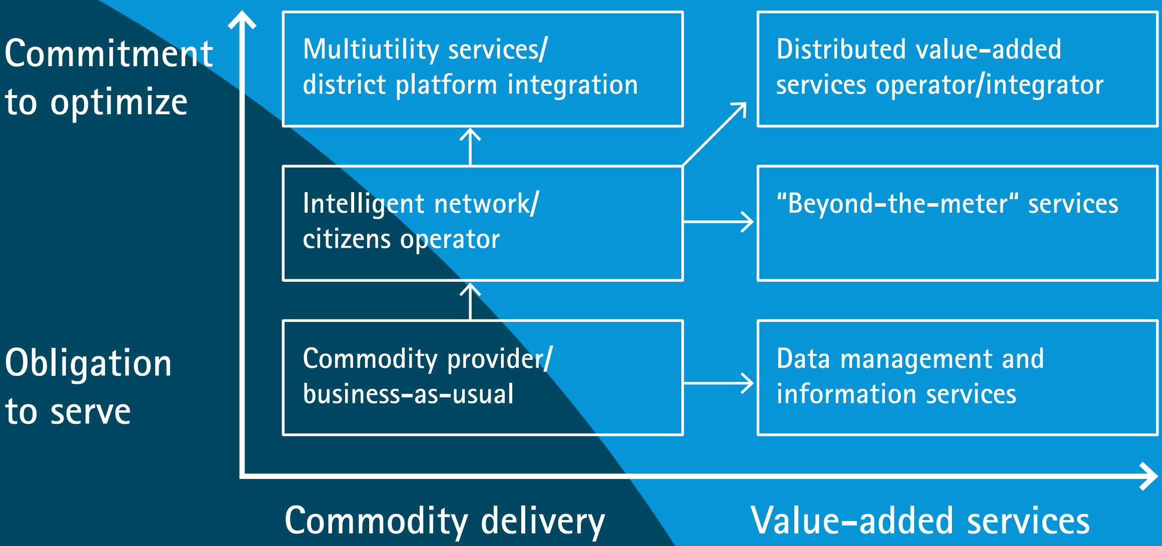
The “cost of non-innovation” involves the risk of extinction: customers' expectations would be disappointed and non-Utilities technologically advanced players might enter the market and become competitors in the value-added services field.

Source: AGICI

Utilities need to architect for the future now...



...to define their business models



About Accenture

Accenture is a global management consulting, technology services and outsourcing company, with approximately 319,000 people serving clients in more than 120 countries. Combining unparalleled experience, comprehensive capabilities across all industries and business functions, and extensive research on the world's most successful companies, Accenture collaborates with clients to help them become high-performance businesses and governments. The company generated net revenues of US$30.0 billion for the fiscal year ended Aug. 31, 2014. Its home page is www.accenture.com.

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About Agici

AGICI Finanza d'Impresa is an independent organization, created 30 years ago, mainly dedicated to economic research and managerial studies. AGICI funded and coordinates four important Observatories respectively dedicated to: Strategies and alliances in the Italian and European utilities' industry (M&A Utilities); Renewable industry and finance at a global level (OIR); Cost of non-actions in the field of infrastructure (CNF), and Energy efficiency policy and management (CESEF). AGICI provides strategy and financial advisory services to private companies and to public bodies in the above-mentioned areas of expertise. It conducts research and studies for specific organizations in Italy and abroad. www.agici.it.