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Acquirente Unico SpA

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Acquirente Unico SpA

Major Rating Factors

Issuer Credit Rating

BBB/Negative/--

Strengths:	Weaknesses:
<ul style="list-style-type: none">Acquirente Unico's role for the Italian government is critical because it includes the strategic mission of building up the government's oil reserve required by EU regulation.Its role as a centralized purchaser of electricity will gradually diminish, but Acquirente Unico will remain pivotal to the Italian energy markets as an intermediary among providers and users. It will also keep managing the integrated IT system, a unique data warehouse in the sector.Acquirente Unico's legal framework is very stable, ensuring the full coverage of its costs, and we do not expect the central government to change it in any meaningful way.	<ul style="list-style-type: none">Financing needs will increase significantly in the next few years so as to complete the acquisition of strategic reserves required by EU legislation and to refinance existing debt.Dependence on market prices and available capacity for storage, which limit the entity's flexibility in adapting its reserve acquisition to prevailing oil market conditions.

Outlook

The negative outlook reflects that on Italy.

Downside scenario

We could take a negative rating action on Acquirente Unico over the next two years if we were to take a negative rating action on the sovereign. We could also take a negative rating action if Acquirente Unico's critical role for and integral link with the Italian government were to weaken, for example if we believed that the framework supporting Acquirente Unico would not allow for timely support. However, we see this scenario as unlikely.

Upside scenario

We would revise Acquirente Unico's outlook to stable if we were to take a similar rating action on Italy, and our assessment of the likelihood of government support remained unchanged.

Rationale

We regard Acquirente Unico as a government-related entity (GRE). We believe there is an almost certain likelihood that Acquirente Unico would receive timely and sufficient extraordinary support from the Italian government in the event of financial distress. We therefore equalize our long-term issuer credit rating on Acquirente Unico with that on Italy.

We base our view of an almost certain likelihood of support on our assessment of Acquirente Unico's:

- Critical role for the government as manager of Italy's strategic oil reserves. Through OCSIT, Acquirente Unico has been legally assigned the strategically important responsibility of fulfilling the government's oil stockholding obligations under EU and International Energy Agency regulations. In the energy sector, Acquirente Unico provides support to public entities, manages the integrated IT system and two web-portals for the management of information relating to the electricity and gas markets, and acts as manager of the tenders that select the suppliers of last resort in the gas segment. Its role as energy supplier in favor of households and small businesses that have not switched to the electricity open market is diminishing, although remains still key in the sector. Additionally;
- Integral link to the Italian government, which regulates all of its activities. Acquirente Unico is wholly owned by Gestore dei Servizi Energetici SpA (GSE), which, in turn, is wholly owned by the Ministry of Economy and Finance. The national regulator for Energy, Networks and the Environment (ARERA) sets the financial conditions of the services that Acquirente Unico provides in the energy sector, and MiSE sets the strategy for the acquisition and management of strategic oil reserves. GSE appoints the members of the Acquirente Unico board every three years, and the proposed members are subject to the Ministry of Finance's agreement, with the possibility of veto. MiSE establishes annually and by ad-hoc decrees the amount of specific oil stocks that OCSIT should hold and the contribution fees that the market operators should pay, thereby ensuring the balance of OCSIT's accounts.

Pivotal role as manager of the country's strategic oil reserves, and as intermediary for consumers in the energy market

Acquirente Unico, through its unit Organismo Centrale di Stoccaggio Italiano (OCSIT), will remain the entity in charge of managing Italy's strategic oil reserve, in compliance with the country's commitments to the European Union and the International Energy Agency. Acquirente Unico is currently building up its reserves, expecting to complete its reserve acquisition plan by the year 2023.

Following the full liberalization of the energy market in 1999, the government extended Acquirente Unico's role to include acting as an intermediary between power providers and customers, for those clients that did not transition to the liberalized market. This activity is already decreasing, as an increasing proportion of customers are making this transition. However this decline is likely to be slower than initially anticipated because the deadline to move to the liberalized market has been postponed to 2021 for SMEs and to 2022 for micro-enterprises and retail customers, from 2020-2021 previously. Even as this activity continues to wind down, Acquirente Unico will continue to play a pivotal role as intermediary between the market and the customers, through the management of the main datawarehouse of the sector (Integrated IT system - "Sistema Informativo Integrato") and of two web portals used by the consumers for the active management of their electricity and gas accounts.

The government's ownership and supervision is not in question

Acquirente Unico executes strategic government policies, ensuring the supply of electricity to eligible (protected) customers and managing the national strategic oil reserve. We believe that the definition of the strategy by the sole shareholder Ministry of Finance and the supervision of ARERA in the energy sector and of the Ministry of Economic Development (MiSE) for all the tasks performed in OCSIT's name, is not in question.

Strong regulatory framework, which guarantees Acquirente Unico's financial balance

All Acquirente Unico's activities, both in the energy sector and as oil reserve manager, fall under the full-cost-recovery principle. All the activities carried out in the energy sector are under the strict control of ARERA, which sets the financial conditions of the services provided by Acquirente Unico, ensuring the balance of its accounts. With regard to OCSIT activities, the Ministry of Finance and Ministry of Economic Development establish yearly the amount of specific stocks to be held and the average contribution fee to be paid by market operators. Market operators are jointly and severally liable for paying the contribution fee, limiting the risks of any possible delays in collecting fees from operators. Starting from 2020, OCSIT will include in the yearly fee an amount to cover possible unpaid fees of the current year (n) in advance, minimizing the amount to be compensated ex-post (n+1). However, unpaid fees are very marginal and equalled €2.1 million at year-end 2019.

Financial debt to acquire OCSIT's oil reserve stocks is included in Italy's general government public debt

The long-term debt of Acquirente Unico is fully related to the public objective of acquiring strategic oil stocks for OCSIT, and therefore is included in the Italian general government's public debt. Acquirente Unico's future financial requirements will increase as OCSIT is still building up its planned reserves. OCSIT currently holds 17 days with the goal of reaching 30 days by 2023. However, the stocks acquisition plan and related financial needs are determined in agreement with the government, which in 2019 authorized a debt issuance for €500 million and seven-year maturity for this goal. We estimate that Acquirente Unico's financial needs for 2020-2022 stand at around €800 million. We expect them to be covered by the residual proceeds from the inaugural bond (€200 million) and a combination of loans and new bond issuances.

Less volatile cash flow, and ample and sufficient availability of credit lines

In 2017-2018, Acquirente Unico suffered a large drop in working capital because of a change in the payment conditions in the market "Mercato del Giorno Prima". ARERA provided Acquirente Unico with a €350 million credit line to cover such temporary liquidity needs, of which it made frequent use. However, in 2019 the gradual reduction in the size of the protected energy market had a positive effect on its working capital, through a significant drop in receivables. As a consequence, Acquirente Unico reduced its use of the ARERA credit line to almost zero in 2019. Average short-term debt decreased to €406 million in 2019 (from €466 million in 2018) and we expect it to stay below €300 million in 2020.

Acquirente Unico also has several credit lines available both for its energy-related activities and for OCSIT's tasks, including intercompany committed credit lines made available by its parent company Gruppo Servizi Energetici (GSE).

Related Criteria

- General Criteria: Rating Government-Related Entities: Methodology And Assumptions, March 25, 2015
- General Criteria: Use Of CreditWatch And Outlooks, Sept. 14, 2009

Related Research

- Italy 'BBB/A-2' Ratings Affirmed; Outlook Negative, April 24, 2020
- Eurozone Economy: The Balancing Act To Recovery, June 25, 2020
- Sovereign Risk Indicators, July 14, 2020

Ratings Detail (As Of July 24, 2020)*

Acquirente Unico SpA

Issuer Credit Rating	BBB/Negative/--
Senior Unsecured	BBB

Issuer Credit Ratings History

30-Oct-2018	BBB/Negative/--
01-Aug-2018	BBB/Stable/--

*Unless otherwise noted, all ratings in this report are global scale ratings. S&P Global Ratings' credit ratings on the global scale are comparable across countries. S&P Global Ratings' credit ratings on a national scale are relative to obligors or obligations within that specific country. Issue and debt ratings could include debt guaranteed by another entity, and rated debt that an entity guarantees.

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