

## PRESS RELEASE

### **Energy: from October a -0.7% fall for electricity, gas increases by 2,8%**

#### **expected seasonality impacts on gas**

Milan, 28<sup>th</sup> September 2017 – In the third quarter of 2017 the electricity *bill* decreases and the gas *bill* increases for the average household<sup>1</sup>. From 1<sup>st</sup> October, for the average household the electricity bill will record a decrease of -0.7%, while for gas the increase will be +2.8% as a consequence mainly of the expected increase in prices due to the increase in autumn consumption. This is what is envisaged by the updating of the *reference prices* for households and small *standard offer market* consumers for the third quarter of 2017.

In particular, the decrease for electricity bills – despite a moderate increase is expected in wholesale prices - is largely due to the sharp reduction in dispatching costs, i.e., the costs incurred by the network operator (Terna) to maintain the balance and safety of the electricity system, but also thanks to the Authority's measures over the past few months, which have led the wholesale market back to normal levels. However, for gas in the next autumn season, the rising consumption and prices at European level entail - as expected - a rise in prices also on the Italian wholesale markets.

In detail, for electricity the expenditure (before taxes) for the average household in the rolling year<sup>2</sup> (between 1<sup>st</sup> January and 31<sup>st</sup> December 2017, inclusive) will be 520 euro, with a variation of +4.2% compared to the equivalent 12 months of the previous year (1<sup>st</sup> January – 31<sup>st</sup> December 2016), corresponding to an increase of approximately 21 euro/year. In the same period the expenditure of the average household for the gas *bill* will be approximately 1,035 euro, with very little change (+0.2%, around €/year) compared to the equivalent 12 months of the previous year (1<sup>st</sup> January – 31<sup>st</sup> December 2016).

In the fourth quarter of 2017 the trend for the **electricity** price, as mentioned, is mainly determined by the overall decline in supply costs which is the result of an expected moderate increase in wholesale market prices in the last three months of the year (also consistent with the trend in *forward* product prices<sup>3</sup>), more than outweighed by the significant reduction in dispatching costs. This reduction is thanks to the effects of the Authority's resolutions over the previous months to stop, prosecute and prevent abnormal supply-side and demand-side operator conducts in wholesale electricity markets, by restoring normal operating conditions and not yet including potential costs.

A slight increase is seen in one part of the general system charges, namely the one covering interventions for promoting energy efficiency. Grid tariffs remain stable.

The variation of **gas costs** is largely linked to the growth of the 'raw material' component, i.e., the rise in gas prices expected in the wholesale markets in the next quarter, but also due to higher demand during the autumn months; also a slight increase for the transport component. The adjustments are partially offset by a reduction of the distribution component.

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<sup>1</sup> The average household has an average electricity consumption of 2,700kWh per year and a subscribed demand of 3kW; for gas consumption is 1,400 cubic metres per year.

<sup>2</sup> Rolling year is to be understood as the year made up of the quarter subject to updating and the three previous quarters, also considering consumption associated with each quarter.

<sup>3</sup> With the reformed standard offer regime, purchases of electricity by the Single Buyer are entirely carried on spot markets.

**Electricity** – In detail, the decrease in the cost of electricity for the average household is determined by the reduction of supply costs, which accounts for -1.2% in the overall variation of expenditure for the average customer. Such a decrease includes a +1.8% growth in purchase costs, offset by the sharp reduction of the dispatching component (-3%). There is a slight rise (+0.5% on overall variation for the average customer) of the UC7 component of the general system charges, to cover the cost of measures and interventions to promote energy efficiency. The result is therefore -0.7% on the total expenditure for the average customer.

**Natural gas** – In detail, the increase for gas is mainly determined by the increase of the Cmem component related to supply costs, +1.7% in expenditure for the average customer, reflecting the forecasts of a rise in the wholesale prices in the forward markets in Italy and in Europe. The Qt transport service component is also affected (+1.4% in expenditure for the average customer) by a variation in the component covering winter storage charges. A slight adjustment (+0.1%) also occurs in the component covering the costs of wholesale supply activities (CCR). These increases are partly offset by a decrease in the distribution and measurement component, with -0.4% in expenditure for the average customer (result of a +0.5% increase of the component covering energy saving measures and interventions – ES (Energy Saving) - fully offset by a -0.9% decrease in the component for gas distribution tariff equalisation, UG1). The result is therefore +2.8% on the total expenditure for the average customer.

### **The quarterly update in detail**

#### **The aggregations and graphs respect the new features introduced by the ‘bill 2.0’<sup>4</sup>**

**Electricity** – In detail, from 1<sup>st</sup> October 2017, the electricity *reference price* for the average customer will be 19.589 euro cents per kilowatt hour, tax included, divided as follows<sup>5</sup>:

#### ***Cost for energy:***

- 7.68 euro cents (39.18% of the total bill) for energy supply costs;
- 1.66 euro cents (8.47%) for retail marketing.

#### ***Cost for meter transport and management:***

- 3.95 euro cents (20.18%) for distribution, measurement, transport, transmission and distribution equalisation, and quality.

#### ***Cost for system charges:***

- 3.71 euro cents (18.96%) for *general system charges*, set by law.

#### ***Taxes:***

- 2.59 euro cents (13.21%) for taxes which include VAT and duties.

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<sup>4</sup> In detail, the bill 2.0 involves a simplification of the contents and the terms used in the summary bill, which is the bill sent to all consumers, essential for understanding the final cost. The first page of the bill also indicates the average unit cost per kilowatt hour/ standard cubic meter, as the ratio between the total cost and the consumption invoiced. Those who want to gain further insight into the different cost items can request that their supplier provide them with the details, i.e., the various pages with an analytical description of the components that determine the overall cost. The detailed items will always be sent in the event of a response to complaints. Explicit evidence is also given for the “system charges cost”, an item that to date has been indicated within the network services and has guaranteed greater clarity in the event of recalculations, that is, in the case of compensation, which are particularly highlighted in a dedicated box.

<sup>5</sup> Resolution no. 200/2015/R/COM – Bill 2.0 – of 30<sup>th</sup> April 2015 envisages, from the 1<sup>st</sup> January 2016, different aggregation of the individual components in the bill invoicing to final customers, and in particular the items that were included in *Sales services* converge as such in the item *Expenditure for energy material*, while the items that were included in *Network services* converge into two different aggregations that are *Expenditure for meter transport and management* (distribution, measurement, transport, transmission and distribution equalisation, quality) and *Expenditure for system charges*.

**In the 4<sup>th</sup> quarter of 2017, the *system charges* are made up as follows:**

- 77.03% incentives for renewable sources and assimilated sources (component A3);
- 3.32% charges for the safety assurance of nuclear energy and territorial compensation (component A2 and MCT), including the 135 million euros/year allocated in the Italian State Budget;
- 6.70% incentive for manufacturing companies with high electricity consumption (component 'Ae');
- 8.97% promotion of energy efficiency (component UC7);
- 1.05% support for system research (component A5);
- 1.05% compensation for minor electricity companies (component UC4);
- 0.94% special tariff regimes for the Rete Ferroviaria Italiana company, for the universal and goods service (component A4);
- 0.94% electricity bonus (component As)

**Natural gas** – In detail, from 1<sup>st</sup> October 2017, the *gas reference price* for the average customer will be 73.05 euro cents per cubic metre, tax included, divided as follows<sup>6</sup>:

***Cost for natural gas :***

- 23.12 euro cents (equal to 31.65% of the total bill) for the supply of natural gas and for related activities;
- 0.57 euro cents (0.78%) for the gradual application of reference price reform for the natural gas standard offer service;
- 5.06 euro cents (6.92%) for retail sales.

***Cost for meter transport and management:***

- 13.44 euro cents (18.39%) for distribution, measurement, transport, distribution equalisation and quality.

***Cost for system charges:***

- 2.47 euro cents (3.38%) for general system charges, set by law.

***Taxes:***

- 28.39 euro cents (38.88%) for the taxes that include duties (20.93%), additional regional tax (2.78%) and VAT (15.17%).

All Resolutions are available on the website [www.autorita.energia.it](http://www.autorita.energia.it)

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<sup>6</sup> Resolution no. 200/2015/R/COM – Bill 2.0 – of 30<sup>th</sup> April 2015 envisages, from the 1<sup>st</sup> January 2016, different aggregation of the individual components in the bill invoicing to final customers, and in particular the items that were included in *Sales services* converge as such in the item *Expenditure for natural gas material*, while the items that were included in *Network services* converge into two different aggregations that are *Expenditure for transport and meter management* (distribution, measurement, transport, distribution equalisation, quality) and *Expenditure for system charges* (equalisation of sales marketing, arrears for last resort services and interventions for energy saving and the development of renewable sources).