

## **Energy: from October electricity decreases by 1.1%, gas increases slightly by 1.7%**

**positive return to normality of wholesale markets for electricity,  
less marked increase for gas compared to the expected autumn season  
the average household in 2016 saves nearly 100 euro compared to 2015**

Milan, 29 September 2016 – According to the fourth quarter of 2016, the electricity *bill* will go back down, whereas a slight increase in the gas *bill* will occur for the normal autumn season, but still less marked than expected. From October 1<sup>st</sup>, the average household<sup>1</sup> electricity *bill* will go down by 1.1%, whereas the gas adjustment will be up 1.7%. It is what provides the updating of the benchmark pricing of households and small consumers.

More specifically, the average household electricity expenditure will be €499 euro in the rolling year<sup>2</sup> (1 January 2016 to 31 December 2016), with a 1.1% decrease as compared to the previous year (1 January 2015 to 31 December 2015), corresponding to a saving of €5. For gas in the same time period, the average household expenditure will be about €1.033, with an 8.1% reduction corresponding to a saving of €91 with respect to the rolling year. Therefore, in 2016 the average household expenditure for gas and electricity will be €96 less than in 2015.

In the fourth quarter of 2016, the price trend of **electricity** will be determined mainly by the decrease of the component that covers wholesale market procurement costs, partly offset by increased general system charges<sup>3</sup>. The reduced procurement costs are due partly to the downward revision of kWh wholesale purchase costs and significantly to the reduced dispatching costs (i.e. the costs incurred by the grid operator - Terna - for maintaining the balance and safety of the electrical system), partly thanks to the first effects of the Italian Regulatory Authority provisions (resolutions 342/2016 and 459/2016) to stop and deal with possible anomalous behaviours of recent months coming from electricity wholesale market supply and demand operators. These measures brought back to normal the dispatching market and, as a result of the Authority's investigations and prescriptive proceedings underway, and the possible outcomes of sanctions, they could also lead to consumer refunds.

The current standard offer for electricity price update, valid starting 1 October (fourth quarter 2016), does not take into account the possible effects of various Administrative Justice decisions on the updating of the third quarter of 2016, which is a unique event that does not "propagate" its effects on the IV quarter nor 2017.

Shortly, a new measure, as required by the Second Section Board of Lombardy's Regional Administrative Court, will define the procedures that will govern refunds automatically, taking into account what will have been recovered by the Regulatory Authority's investigations into the abnormal quarter, confirming and explaining existing provisions on this matter.

The **gas** price change is basically linked to the growth of the 'raw material' component, mainly due to the increase in gas prices expected in the wholesale markets for the next quarter due to the natural autumn seasonality; a slight increase also for the transport component. These adjustments are partially

---

<sup>1</sup> The average household consumes 2,700 kWh of electricity in a year and 3 kW of engaged power; yearly gas consumption is 1,400 m<sup>3</sup>.

<sup>2</sup> Rolling year means the year made of the quarter being updated and the three previous quarters, considering also the consumption associated with each quarter.

<sup>3</sup> The Ae component - breaks for high electricity consumption industries - is still pending, waiting for the conclusion of the European procedure verifying the compatibility of said benefits with the EU regulatory framework.

offset by a reduction of the distribution and metering component and by a decrease of the component for the gradual implementation of the reform of the Protective conditions.

**Electricity** – Specifically, the decrease of electricity expenditure for the average household reflects the decrease of energy costs incurred by the Single Buyer, partly effective and partly estimated, contributing with the decrease of 1.6% to the overall change in expenditure for the average customer. This decrease, in turn, can be broken down into -0.9% for raw material purchase costs, -1.1% for dispatching costs and +0.4% for the equalization of procurement costs.

The reduced procurement costs are partly offset by slightly increased costs, 0.5%, for general system charges, resulting from a slight 0.27% increase in UC3 fees, (the component covering imbalances of the equalization systems for electricity transport costs on transmission and distribution networks) and small adjustments, +0.07%, in A5 fees, (the component for the funding of research in areas of interest for the national electricity system and of benefit for consumers) and +0.16% in As fees, (the component for the financing of the bonus system for residential customers who are experiencing physical or economic hardship). This brings the average customer's total expenditure down by 1.1%.

**Natural Gas** – Specifically, the gas increase is determined mainly by the updated raw material procurement costs, contributing by 3.4% to the overall change in expenditure for the average customer, reflecting the expected rise in wholesale prices in the futures markets in Italy and Europe, connected to the higher autumn consumption.

The transport service component (Qt) also increased moderately, 1.0%, due to a change in the tariff component CRV<sup>OS</sup>, which covers storage service fees (+1.2%), partially offset by the zeroing of the tariff component CrV<sup>I</sup>, which covers gas consumption containment expenses (-0.2%); the component that covers wholesale procurement activities (CCR) also increased slightly by 0.3%.

These adjustments are offset by a 1.9% reduction of the distribution and metering costs (following the zeroing of the distribution tariff equalization component UG1) and by the 1.1% decrease of the gradual implementation of the reform of standard offer regime (GRAD). This brings the total customer expense up by 1.7%.

## Quarterly update details

### Combinations comply with the changes introduced by 'bill 2.0'<sup>4</sup>

**Electricity** - Specifically, FROM THE 1<sup>st</sup> of October 2016, the average customer's electricity *reference price* will be € 18.463 per kWh, taxes included, broken down as follows<sup>5</sup>:

#### **Energy expenses:**

- € 6.49 (35.15% of the total bill) for energy procurement costs;
- € 1.51 (8.19%) for retail sales.

#### **Energy transport and meter management expenses:**

---

<sup>4</sup> More specifically, the 2.0 bill provides for the simplification of the content and terms used in the summary bill, which is sent to everyone, essential to understanding the final expense. The first page of the bill also shows the average unit cost of the kWh/m<sup>3</sup> standard, as the ratio between the total expenditure and the billed consumption. Anyone wishing to explore the different items of expenditure can always ask his provider for additional details, on additional pages with an analytical description of the components that determine the overall expenditure. Details will always be provided in case of response to complaints. The item *Expenditure for system charges*, which until now showed up under *Network services*, is explicitly emphasized and provided with increased clarity in the event of any recalculations, namely adjustments, signified with a special box.

<sup>5</sup> As of 1 January 2016, 30 April 2015 resolution 200/2015/R/COM - Bill 2.0 - provides for a different combination of the individual components of the bill invoiced to end users, and in particular the items that used to be included under *Sales services* converge as is in the item *Natural gas expenses*, while the items that used to be included under *Network services* flow into two distinct groups, which are *Meter transport and management expenses* (distribution, metering, transport, distribution and transmission equalization and quality) and *Expenditure for system charges*.

- € 3.34 (18.11%) for distribution, metering, transport, distribution and transmission equalization and quality services.

**Expenses for general system charges:**

- € 4.63 (25.09%), as set by law.

**Taxes:**

- € 2.49 (13.46%), including excise duties and VAT.

**In the fourth quarter of 2016, the system charges are broken down as follows:**

- 85.31% for incentives for renewable and assimilated sources (A3 component);
- 6.03% charges for nuclear power safety measures and regional compensations (A2 and MCT components), including the 135 million € per year for the State Budget;
- 5.24% energy efficiency promotion (UC7 component);
- 1.29% special tariff schemes for RFI, the Italian Railway Network company (A4 component);
- 0.76% electricity bonus (As component)
- 0.69% support for system research (A5 component);
- 0.68% compensations for smaller electricity companies (UC4 component);
- 0.0% benefits for manufacturing companies with high electricity consumption (Ae component);

**Natural Gas** – Specifically, starting 1 October 2016, the average customer's gas *reference price* will be € 71.91 per m<sup>3</sup>, taxes included, broken down as follows<sup>6</sup>:

**Natural gas expenses:**

- € 21.54 (29.95% of the total bill) for the procurement of natural gas and related activities;
- € 2.17 (3.02%) for the gradual application of the price reform of the natural gas protection service and for the renegotiation mechanism of multi-year procurement contracts;
- € 5.00 (6.95%) for retail sales.

**Gas transport and meter management expenses:**

- € 12.81 (17.81%) for distribution, metering, transport, distribution equalization and quality services.

**Expenditure for general system charges:**

- € 2.16 (3.01%), as set by law.

**Taxes:**

€ 28.23 (39.26%), including excise duties (21.26%), the additional regional tax (2.82%) and VAT (15.18%).

All resolutions are available at: [www.autorita.energia.it](http://www.autorita.energia.it)

---

<sup>6</sup> As of 1 January 2016, 30 April 2015 resolution 200/2015/R/COM - Bill 2.0 - provides for a different combination of the individual components of the bill invoiced to the end users, and in particular the items that used to be included under *Sales services* converge as is in the item *Natural gas expenses*, while the items that used to be included under *Network services* flow into two distinct groups, which are *Meter transport and management expenses* (distribution, metering, transport, distribution and transmission equalization and quality) and *Expenditure for system charges* (sales marketing equalization, arrears for last instance services and interventions on energy efficiency and the development of renewable sources).