

PRESS RELEASE

## **Energy: ARERA freezes electricity charges to limit sharp increases from the record levels of raw materials**

**for customers with standard offer electricity + 7.6%, gas + 6.1%**

Milan, 27 September 2018 - To cope with the **sharp increases in the prices of energy raw materials** and the wholesale prices of electricity and gas that have reached **record levels in Italy and Europe**, ARERA (The Italian Regulatory Authority for Energy, Networks and Environment) has decided to renew the suspension of general system charges. **Similar situations of price tensions can be found in other European countries**, such as France and Spain, where the regulatory authorities are carefully monitoring the market dynamics to ensure that they function properly, to protect consumers.

Already during the update at the end of June, general charges had been significantly reduced to cushion the impact of the increase in energy prices. This should have led to an increase to recover lost revenue. With this manoeuvre, **the Authority uses its ‘shield’ action to the maximum extent possible**, postponing the necessary increase in charges by a further quarter. The overall effect of this manoeuvre is the containment of expenditure for electricity consumers, both domestic and non-domestic, of about one billion Euro (for the whole of 2018), for the benefit of both the free and protected markets.

The exceptionally tense situation in the energy markets in Europe is determined by several factors:

- the **high international quotations of energy raw materials**; in particular, the reference prices for natural gas and coal in Europe are (in Euro) up by 13% and 12% in the current quarter compared to the second quarter of 2018;
- **the prices of European gas are also pushed upwards by the increase in prices of gas transported by sea (LNG) on the Asian market** (+ 22% - in Euro - compared to the second quarter of 2018), as in perspective, this tension limits the supply of natural gas available for Europe;
- the **unprecedented growth in the permit prices of carbon dioxide emissions (CO<sub>2</sub>)**, + 29% in the last three months compared to the previous quarter), that is, the securities that the producers of electricity must buy to offset their CO<sub>2</sub> released into the atmosphere;
- the limitations and uncertainties related to the **total or partial stop to 22 out of 58 nuclear reactors in France**, due to maintenance or limitations in the use of water for cooling the plants due to the high summer temperatures.

Consequently, based on the prefinal figures, the price of the Italian power exchange (PUN) is up about 29% compared to the second quarter of 2018, also discounting the **drop in hydroelectric production and temperatures above the seasonal average** in September. Furthermore, the prices on the forward markets for the fourth quarter do not show signs of reversal of the current upward trend.

Despite the suspension of the general electricity charges, from next October 1, the energy expenditure for the typical family<sup>1</sup> with the standard offer will record an increase of 7.6% for

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<sup>1</sup> The typical family has an average electricity consumption of 2,700 kWh per year and a committed power of 3 kW; for gas, consumption is 1,400 cubic meters per year.

electricity (+1.5 € cent/kWh) and 6.1% for natural gas (+ 4.78 € cent/Cms) compared to third-quarter expenditure.

For electricity, the expenditure (before taxes) for the typical family in the rolling year <sup>2</sup> (between January 1, 2018 and December 31, 2018) will be 552 Euro, with a variation of +6.1% compared to the equivalent 12 months of the previous year (1 January 2017 - 31 December 2017), corresponding to an increase of about 32 Euro/year. In the same period, the typical family expenditure for the gas bill will be approximately € 1,096, with a variation of +5.9% compared to the equivalent 12 months of the previous year (1 January 2017 - 31 December 2017), corresponding to around € 61/year.

To find the offers of the free market best suited to their needs, the ***Portale Offerte*** is available to consumers ([www.ilportaleofferte.it](http://www.ilportaleofferte.it)). The *Portale Offerte* is the public and independent ARERA website, managed by Acquirente Unico (Single Buyer), which since last July allows families and small businesses to compare and choose electricity and gas offers simply and clearly.

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<sup>2</sup> The rolling year refers to the year composed of the quarter under review and the three previous quarters, also considering the consumption associated with each quarter.