

## **Energy: strong reduction for electricity -5.4%, slight adjustment for gas + 0.8%**

total savings of Euro 125/year for the typical family, influenced by low wholesale prices and a drop in general charges. Domestic tariff reform completed

Milan, December 27, 2019 - In the **first quarter of 2020**, there will be a **marked decline in electricity bills and substantial stability for gas bills**. The sharp drop in requirements for general charges, control over regulated network tariffs (transport and distribution) and low raw material prices in wholesale markets, have in fact led to a **-5.4% reduction for electricity** and a **slight adjustment for gas, + 0.8%** for the *typical family*<sup>1</sup> in the standard offer market.

With regard to measuring the **effects on households** (before taxes), the typical family will spend **Euro 544.2 on electricity** in the rolling year<sup>2</sup> (between April 1, 2019 and March 31, 2020), down **-2.9% compared to the 12 equivalent months of the previous year** (April 1, 2018

- March 31, 2019), corresponding to a **saving of around Euro 16/year**. In the same period, the **typical family** will spend approximately **Euro 1,040 on gas bills**, down **-9.5% compared to the equivalent 12 months of the previous year**, corresponding to a **saving of around Euro 109/year**. For the rolling year, the **overall saving** for the typical family for both **electricity and gas** will therefore be **around Euro 125/year**.

The first valid update for the new year is accompanied by **the completion of the domestic tariff reform**, eliminating the tier that was still present in the structure of general system charges only. The gradual domestic tariff reform, defined by the Regulator in order to implement Italian Legislative Decree no. 102/14, had already eliminated tiered network service tariffs (transmission and distribution), **in accordance with the objectives of environmental sustainability and aligning the tariff structure to service costs**.

The completion of this reform shall mean that the spread of more efficient electrotechnology solutions, such as heat pumps, induction hobs and electric vehicles, will no longer be penalised. In the same context, incentives to change the power of electricity meters, offering reduced costs, have also been extended to 2020. Customers in the standard offer market - who can now choose the 'size' of power most suited to their consumption habits - will still benefit from the reduction in 'one-off' costs and contributions for individual 'units'.

**For families in need**, there is the important incentive of “**social bonuses**”, which will **automatically be provided in the bills of all eligible households from 2021**. This new incentive, which ARERA had repeatedly requested from the Government and Parliament, was approved in the recent Tax Decree, and will guarantee access to aid for energy expenditure, without unnecessary bureaucracy, **for 2.6 million families**.

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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.

<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.

With regard to the updates to the standard offer conditions for the first quarter of 2020, the changes reflect both the weak economic scenario and the mild seasonal temperatures. This is particularly the case for the natural gas market, which is also decisive for electricity production. In fact, despite the drop in European production and the geopolitical risks for non-European supplies, low prices have nonetheless been recorded, also going forward (notwithstanding the winter season), supported by abundant arrivals of liquefied gas to Europe and high stockpile levels.

For **electricity**, the overall reduction is due to the **drop in energy costs (-2.6%** in terms of the typical family's expenditure) and the **sharp decrease in general system charges (-2.8%)**, determined by a reduction in the A3 element for incentives for renewables and some A -Rim elements, made possible by good performance in terms of cash account management, the review of requirements and normality being fully restored after the recovery actions due to the pro-consumer choices made in 2018. **Overall, regulated network tariffs remain stable** (transmission, distribution and metering) , which take into account the newly approved updates halfway through the regulatory period.

This means a figure of **-5.4% for the typical user in the standard offer market.**

**For natural gas**, the trend is substantially determined by a **slight increase in expenditure for raw materials (+1.3%** in terms of the typical family's expenditure), mainly linked to the prices expected in the wholesale markets over the next winter quarter, counterbalanced by a **decrease in regulated transport and distribution tariffs ( -0.4% )**, made possible by the review of tariff rules for the period and by a **slight decrease also in general charges ( -0.1% )**.

This means a figure of **+0.8% for the typical user in the standard offer market.**

*“Today's figures - commented ARERA president, **Stefano Besseghini** - confirm the rightness of decisions made in the past. The progressive approach to reform has made it possible to avoid repercussions for consumers, despite the difficulty remaining of having to manage an important parafiscal component within the composition of the tariff ”.*

All the details of the update are available in the [attached Technical Data Sheet.](#)