

## **Energy: rising raw material prices cause +4.5% hike for electricity and +5.3% for gas**

**higher bills for the first quarter of 2021,  
but savings of over 146 euros/year remain for the typical family.  
News 2021: Automatic bonus for vulnerable families**

Milan, 29 December 2020 - In the first quarter of 2021 high raw material prices, back up to the level of one year ago, have led to an **increase in energy bills for the typical family<sup>1</sup> in the standard offer service of + 4.5% for electricity and + 5.3% for gas**. The latter is also linked to the usual seasonality with the relative winter growth in demand.

With regard to effects on consumers (before taxes), **the typical family will still benefit from a total saving of around 146 €/year**.

More specifically, **the typical family** will spend around **€488** on **electricity** during the rolling year<sup>2</sup> (between 1 April 2020 and 31 March 2021), down -10.2% compared with the equivalent 12-month period of the previous year (1 April 2019 – 31 March 2020), corresponding to an **annual saving of approximately 55 €/year**.

During the same period, the **typical family's expenditure on gas** will be approximately **€ 950**, down **-8.8% compared with the equivalent 12-month period of the previous year**, corresponding to an **annual saving of around 91 €/year**.

An important change for **families in need** from 1 January 2021: **social bonuses** discounting their bill will gradually be granted **automatically** to those who are entitled to them, without having to apply. As repeatedly requested by ARERA and foreseen by the law, from 2021 citizens entitled to bonuses for economic hardship will no longer have to apply to municipalities or CAF tax assistance centres. The information will be cross-referenced, so that the bonus will be automatically granted in the bill, by the parties that manage data on utilities and the Equivalent Economic Status Indicator - ISEE (Single Buyer - Acquirente Unico and The National Social Security Institute - INPS). The discount on the bill will be calculated from 1 January 2021, regardless of the technical time required for the implementation mechanism to become fully operational.

As regards the tariff update, **the increases are substantially linked to the growth in the prices of energy raw materials**.

In fact, in the fourth quarter of 2020, based on the preliminary data, the **Single National Price for electricity** increased by approximately 15% compared to the third quarter, falling back in line with the average level of the corresponding quarter in 2019. **Forward markets**, although very volatile, indicate further growth in price levels for the first quarter of the new year. The overall effect on electricity is particularly affected by hikes in the natural gas markets - with the **forward price in the wholesale market** used to update protection (the TTF) expected to rise by 23% in the first quarter of 2021

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<sup>1</sup> On average, the typical family consumes 2,700 kWh of electricity per year, with a committed power of 3 kW; 1,400 cubic metres of gas are consumed each 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.

compared with the previous quarter - and by increases in the **CO2 market**, which returned to around €30 per tonne, partly as a result of Europe raising its emission reduction targets. A gradual recovery in consumption can also be observed, even though in the first 11 months of 2020 **electricity demand** fell by almost 6% compared to the same period in 2019.

Going into the **individual bill components** in detail, **for electricity** the increase is mainly linked to the increase in the energy component, with an impact of +4% on the final price for the typical family, which can be broken down into +3.5% due to the PE energy item, -1.5% linked to the PD dispatching item, +1.8% for the PPE equalisation item and +0.2% for the marketing components. A slight increase of 0.57% for regulated network tariffs (transmission, distribution and metering and equalisation component), while overall general system charges remained substantially unchanged (-0.03%).

**For natural gas**, the trend is determined by an increase in the raw material component, with an impact of +4.9% on the final price for the typical family, linked to the prices expected on the wholesale markets in the next quarter, by a slight increase in regulated transport tariffs and meter management +0.3% on the final price and by a slight adjustment, +0.1%, for general system charges. This leads to +5.3% increase for the typical user in the standard offer market.

*“The change in this quarter give us a dynamic that is substantially in line with seasonal trends and with raw material values not dissimilar to those of last year”, says the ARERA President, **Stefano Besseghini**. “Overall, the price and volume anomalies linked to the Covid emergency allowed families to save during the year with a residual benefit that will continue into the first quarter of 2021. The prospects for the economic recovery and the wish that the health situation will change for the better, mean that now more than ever we need to focus our attention on those interventions and investments that can contribute to improving Italians' bills”.*