

PRESS RELEASE

Energy: + 9.9% for electricity and + 15.3% for gas

Besseghini: "The increase for electricity would have been much higher without the government's use of CO2 auction revenues." Automatic bonus for disadvantaged families and extension of bill discount for small businesses are on the way.

Milan, 30 June 2021 - For Italy, too, the **sharp increase** in **commodity** prices - which have been rising steadily since the start of the year due to the economic recovery following the downturn caused by the pandemic - as well as the steep **rise** in the **price** of CO2 emission permits, would have led to an increase of around 20% in electricity bills, had the government not intervened with an emergency measure to reduce the need to collect general charges in the next quarter.

The **final increase is therefore 9.9% for the electricity bill and 15.3% for the gas bill** in the third quarter of 2021 for the **typical family¹ in the standard offer market**.

In particular, with the Employment and Business Decree approved today by the Council of Ministers, the government has earmarked €1.2 billion to reduce general system charges for the next quarter, using part of the revenues from auctions on the European market for CO2 emission permits (ETS) for this purpose².

The Authority, using regulatory levers, has consequently reduced the general charges for the July-September quarter, achieving a significant reduction in the general charges relating to support for renewable energies (ASos), as well as a further reduction in the remaining general charges (Arim), particularly those for promoting energy efficiency, as an effect of the recent decree on white certificates.

For the President of ARERA, Stefano Besseghini: "Within the framework of loyal institutional cooperation, we have offered technical support to the government's approach. Without the decree, the increase in bills would have been much higher. In view of the international trend towards higher commodity prices and the European choices on limiting greenhouse gases, it seems even more important to consolidate the use of revenues from the auctioning of CO2 emission permits to reduce consumers' bills".

Causes and effects of the increases

The increases are linked to the trend of significant growth in the prices of the main energy commodities. In particular, European gas prices rose by more than 30% in the second quarter of 2021 compared to the first quarter and are increasingly **correlated with the price of CO2** which, in the current month, has reached over **50 €/tCO2**, also due to the expected strengthening of current EU policies to contain harmful greenhouse gas emissions. Increases in the price of commodities are also having a similar impact on final consumer prices in other European countries, such as Spain and France.

In terms of final impact for the next quarter, **the typical family will spend around €559 on electricity** during the rolling year³ (between 1 October 2020 and 30 September 2021), up + 12% compared with the equivalent 12-month period of the previous year (1 October 2019 – 30 September 2020), corresponding

¹ 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.

² The European ETS market for polluting gas allowances (mainly CO2) is an instrument to fight climate change and reduce greenhouse gas emissions. The system operates according to the principle of "capping" and "trading" emissions. Installations, including electricity generation plants, buy or receive emissions allowances, which they can trade with one another as needed. The fulfilment of ETS market obligations is a cost element in energy markets, affecting wholesale and thus final prices.

³ 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.

to an **annual increase of approximately 62.4 €/year**. During the same period, the **typical family's expenditure on gas will be approximately € 993**, down -1.3% compared with the equivalent 12-month period of the previous year, corresponding to an **annual saving of around 13 €/year**.

In September, the Authority will have to assess whether to initiate a process of realignment of revenues from the Asos component, within the flexibility allowed by the prudent management of accounts.

Social bonuses

In support of families experiencing economic hardship, as of July the automatic system will be activated, allowing those who are eligible (households with an ISEE - equivalent financial situation index - of no more than €8,265 euros, €20,000 if there are more than three children) to **automatically be credited with a social bonus on their electricity and gas bills over the next few months**, which will include the benefits already calculated since the beginning of the year.

This means that there is no longer any need to apply for social bonuses, whereas for deductions for physical hardship (use of life-saving medical equipment) it is still necessary to apply.

The automatic bonus on the bill is in place thanks to the collaboration of the entities that manage ISEE and utility data - INPS - the national social security institute - and the Single Buyer respectively.

With the automatic system, benefits are guaranteed for **more than 3 million families**, two-thirds of which have not applied in the past.

Discount extension for Small Businesses

ARERA has also implemented the measure provided for in the '*Sostegni bis*' ('Support bis') Decree-Law, **which extends the small business bill discount to July as well**: (non-domestic low voltage users, such as small businesses, craftsmen, bars, restaurants, workshops, professionals and services). The discount, which mainly benefits about 3.7 million people, was already planned for April, May and June in the first support decree.

DETAILS OF ELECTRICITY AND GAS TRENDS

More specifically, the easing of pandemic containment measures and an improved economic outlook in the first half of 2021 fuelled a **surge in energy commodity markets** that gradually strengthened as demand picked up. The **rise in the price of natural gas**, as a result of sustained consumption even in the spring months, and the simultaneous **accelerated growth in the price of CO2 contributed to the rise in the price of electricity**. Thus, for the **second quarter of 2021**, the **Single National Price (PUN) increased by approximately 25% compared to the first quarter** and by over **200% compared to the corresponding quarter of 2020**, reaching an average **value of over 74 €/MWh** (compared to 24.8 €/MWh in the same quarter a year ago). With regard to electricity **forward prices**, which are affected to a greater extent by the dynamics of the CO2 price (also indirectly via the natural gas forward price), quotes for the **July-September quarter** averaged **over €85/MWh** in June.

As far as **gas markets** are concerned, the increases primarily reflect growth in demand. In Europe, temperatures below seasonal averages resulted in some of the gas that is usually used to fill storage facilities in the spring being diverted to consumption; there were also reductions in supplies from northern Europe and lower LNG availability as part of the Atlantic basin's production was channelled to Asia. **For the July-September 2021 quarter, the trend of forward prices is therefore accelerating, reflecting, on the one hand, the growth in the price of CO2** (which is providing an incentive to replace coal with gas in thermoelectric production), and, on the other, **the expected demand for gas to fill storage facilities**, which this year are at historically low levels, competing with the **demand for electricity production** in the hottest season.

The forward price for the third quarter of 2021 - important for updating standard offer conditions - is approximately 50% higher than the price used for the update of the second quarter of 2021.

Specifically for the individual components in the bill, for electricity the increase is mainly linked to the increase in the commodity component, with an impact of +19% on the price for the typical family (which can be broken down into: +21.6% due to the PE energy item, -1.5% linked to the PD dispatching item, -1.1% for the DispBT item⁴), offset by the strong reduction in general system charges, -9.1% between Asos and Arim, thus reaching a final +9.9% for the typical family.

In particular, the decrease in the dispatching component is due to the drop in the value of the uplift, i.e., the costs of keeping the system in balance, also thanks to the commissioning of some grid devices that Terna has been planning for some time and, in the future, thanks to some interventions underway as part of the dispatching reform launched by the Authority, in view of the start of operations on the capacity market.

The regulated network tariffs (transmission, distribution and metering and equalisation component) and general system charges remained unchanged overall.

For natural gas, the trend is driven by an increase in the commodity component, based on forward quotes for the next quarter, with an impact of +14.1% on the final price for the typical family. In addition, there is a slight increase in general system charges, +1.2% (due to the increase in the Re item for energy saving and renewable development initiatives). Regulated network tariffs (transmission, distribution and metering) remain stable. This results in the +15.3% increase for the typical user in the standard offer market.

Full details of the update will be available in the Technical Data Sheet to be published tomorrow (Italian version).

⁴The DISPbt (dispatching) item is used to offset the difference between the total amounts paid through the Marketing component (PCV) and the commercial management costs recognized to the standard offer sales companies (different to that of the free market sales companies, considered by the PCV component).