

# Autorità per l'energia elettrica e il gas

PRESS RELEASE

## Electricity: new 'two-tier' tariffs effective from 1 July 2010

*For all households, electricity will cost less in the evenings, at nights, and during weekends and holidays. Prices will be higher on weekdays when demand peaks*

Milan, November 23<sup>rd</sup> 2009 – The prices of electricity will be lower early in the morning, in the evening, at night, and during weekends or other holidays, when demand and costs are lower; they will be higher at peak hours of weekdays, when consumption is higher. This newly introduced *two-tier pricing* system will come into force gradually, with effect from 1 July 2010, for consumers equipped with the new reprogrammed electronic meters measuring consumption at different times of the day – provided they opt for continuing to benefit from the reference prices fixed by the Italian Energy Regulatory Authority.

“These new two-tier prices”, commented Mr. Alessandro Ortis, President of the Energy Regulatory Authority “are intended to favour direct savings and, more generally, a more equitable treatment of consumers, energy efficiency and environment protection”.

Today's commercial solution includes the opportunity of differentiating prices according to different times of the day; since 1 July 2010, two-tier tariffs will for the first time be applied progressively to all households still benefiting from protected tariffs, i.e. households not having changed their electricity utility.

Innovations are all described in a regulatory measure specifying the date when new system will come into effect and in two Public Consultation Documents (DCO 36 and DCO 37) to be viewed on the AEEG's website on [www.autorita.energia.it](http://www.autorita.energia.it), which were posted by the Italian Energy Regulator in order to collect proposals and observations from all consumers and stakeholders of the sector.

Among the most significant proposals is the introduction of a transitional 18-month period (characterised by a slight difference in the prices applied at different time bands) so as to provide an initial, correct 'price signal', while ensuring the suitable phasing in of the new *two-tier pricing system*. When the system comes into full operation, the difference between more or less advantageous prices will rather be directly proportional to the wholesale price of electricity at different time bands.

In addition, in order to facilitate consumers' savings, through the more profitable shift of consumptions to less costly times of the day, the Authority proposed to immediately mitigate a few power-capacity constraints which occasionally cause meters to trip out when multiple appliances are used simultaneously.

“In the new liberalized market of electricity, two-tier tariffs are instrumental in pricing electricity at its actual cost; this in turn facilitates 'virtuous' behaviours and reduces consumption through a

considerate and thoughtful use of electricity”, added Mr. Ortis. The phasing in of the new system is specifically designed to favour consumers’ awareness so that all households will perfectly know and be informed on how take advantage of saving opportunities in the best possible ways” he concluded.

### How the new *two-tier tariff system* will work

For each consumer to receive all of the useful information in due time, the Authority has set out to apply two-tier tariffs only after a six-month informative campaign, during which users will receive three specific notices in their bills.

With *two-tier tariffs*, electricity...

- will cost less from 7pm to 8am during weekdays and at any time on Saturdays, Sundays and other holidays – to be shown in the bill as *time bands* F2 and F3, and
- will cost more from 8am to 7pm during weekdays – to be shown in the bill as *time band* F1

	Weekdays	Saturdays, Sundays and Holidays
<b>0.00 a.m. to 8.00 a.m.</b>		
<b>8.00 a.m. to 7.00 p.m.</b>		
<b>7.00 p.m. to 0.00 a.m.</b>		
	Time bands F2 and F3, during which electricity will cost less	
	Time band F1, during which electricity will cost more	

Please note that, throughout the year, hours in the lower priced time bands F2 and F3 will be nearly twice as many as the hours in the more costly time band F1.

### How consumers can be informed of their consumptions

In the future electricity bills, and in any case prior to the application of the two-tier tariffs, consumers will find information on their individual consumptions suitably divided into the two different *time bands* (i.e. “F2 and F3” or “F1”).

The information reported in bills will show how individual consumptions are split into the two (cheaper or more expensive) *time bands* and how the new *two-tier tariffs* will influence their electricity expenditure. With the new system, consumers’ behaviours and choices will be decisive in determining their savings in electricity bills.

### How to best exploit saving opportunities

In order to reap the highest advantage from the new system, consumers should concentrate more than two thirds (i.e. 66% and above) of their electricity consumptions in the cheaper time band from 7pm to 8am during weekdays and at any time of the day on Saturdays, Sundays and other holidays. Savings will be possible if electricity-intensive appliances are used in the cheapest days and times of the day. The system will also encourage and make more cost-effective the replacement of less efficient appliances.

An excessive use of electricity in the more expensive time band (i.e. 8am to 7pm during weekdays) will entail an increase in the cost of electricity. In any case, it is worth noting that, on average, two thirds of domestic consumption is already concentrated in less costly time bands.

### Will other options be available?

For all consumers, there is already full freedom of choice between different service contracts; therefore, as an alternative to the *two-tier tariff* solution introduced by the Authority, other market solutions are and will be available in the future. For consumers to more easily consider and choose between the various offers, the Authority has now made available an Offer Finder tool (*Trova*

*Offerte*) in its website ([www.autorita.energia.it](http://www.autorita.energia.it)) and a toll free number (800 166 654), through which consumers will from time to time view or receive updates on the solutions that best reflect their requirements.