



THE RIGHT TO ELECTRICITY SUPPLY: OBSTACLES AND SOLUTIONS IN THE PRICE, ACCESS TO THE SERVICE AND THE GUARANTEE OF ITS QUALITY

MARCH 2019

SÍNDIC

EL DEFENSOR
DE LES
PERSONES

REPORT ON
THE RIGHT TO
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EXECUTIVE SUMMARY

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On March 27th, 2019, the Ombudsman of Catalonia, which has also the power to defend consumers' rights, submitted a report on the cost of electrical energy to the Catalan Parliament.

The report makes a diagnosis of the current situation from analyzing the cost of electrical energy based on the three contributing components with a similar relative weight in the final amount of the bill: the electricity that is consumed properly, the cost of which is derived from the resulting price in the wholesale market, where generators and traders negotiate energy sales daily; the second component, which are the access tolls that serve to pay, on the one hand, regulated system costs such as transport and distribution of energy, but also other non-supply-related expenses, such as subsidies to renewable generation or financing of the rate deficit (energy policy decisions), and, finally, taxes imposed to the consumer (such as electricity tax and VAT).

The Catalan Ombudsman suggests that the necessary legal and political measures be taken to make a 50% reduction in the electricity bill for domestic purposes, that is, in the electricity supply contracts for home consumption.

The report focuses mainly on distributing proportionally and fairly between all types or uses of consumption (domestic, industrial, services, etc.) charges not related to the expenses directly attributable to supply or consumption. They are concepts that are outside the contracted service, such as the commitment of remuneration for renewable energies and cogeneration or the rate deficit, and represent about 70% of the total amount that must be paid.

This is also the case of the tax on electricity generation (technically called *tax on the value of electricity production*), next April 2019, after six months of exemption decreed by the Spanish Government to modulate the increase in the price of electricity, will be added to the electricity bill. In this sense, and beyond increasing the bill by 4%, the Catalan Ombudsman, Rafael Ribó, has warned that this measure goes in the opposite direction of the recommendations included in the report. In fact, this is a topic on which the Catalan Ombudsman already intervened in November 2015, when he requested that the concepts other than consumption and imposed by the Administration be excluded from the bill.

As far as taxation is concerned, it is suggested to reduce tax burdens that are no longer justified, such as the electricity tax, and bring the VAT of 21% to a reduced rate, similar to that applied by European countries. Other measures that are suggested are to remove the concept of smart meter renting from the invoice, since it is not economically justified (lack of cost-benefit analysis of the smart meter deployment in Spain).

OTHER ISSUES

With regard to the electric social benefit (in Spanish "bono social"), the Catalan Ombudsman recommends to the State Administration that the procedure for the application and renewal of the social benefit be redefined, taking into account the rights of vulnerable people and the principles of administrative simplification.

Likewise, the Catalan Administration should take the appropriate measures for the regulatory development of Catalan Law 24/2015, which should include the establishment of a model of report of social services to determine if the person or the family is in one of the situations of risk of residential exclusion determined by the Law. This report would prevent the interruption of supply by energy companies in case of non-payment. The institution also reminds the obligation of public administrations to act against criminal conduct regarding electricity

networks and the duty of distribution companies to inform the administrations of irregularities they detect.

Lastly, and for cases of vulnerable squatters, the Administration should conduct a socioeconomic study to determine whether the illegal occupation is out of necessity and, if appropriate, provide the right solution.

SUMMARY OF RECOMMENDATIONS

1. As for electrical energy price

- It is recommended to distribute proportionally and fairly between all types or uses of consumption (domestic, industrial, services, etc.) charges not related to the expenses directly attributable to supply or consumption.
- It is recommended to reduce tax burdens that are no longer justified, such as the electricity tax, and bring the VAT of 21% to a reduced rate, similar to that applied by European countries.
- It is recommended to remove the concept of smart meter renting from the invoice, since it is not economically justified (lack of cost-benefit analysis).

unicipalities, must be adapted from the initial format to one that allows complete compliance with the publicity obligations.

2. As for the renewable energies challenges

- It is suggested, on the one hand, to provide long-term price signals for renewable energies, such as bilateral contracts between producers and consumers; on the other hand, the necessary reform of the electricity market is aimed at the challenges that the sector is facing in the immediate future, such as the formation of the wholesale market price in a scenario of high penetration of renewable energies in 2030 and its effect of lowering the price due to being technologies of low operating and maintenance costs.

3. As for other issues regarding rights of consumers

- With regards to the electric social benefit (Spanish “bono social”), the State Administration should redefine profoundly the procedure established for the application and the renewal of the social benefit and adopt the measures that are necessary to minimize in the maximum dimension possible the complexity of the procedure currently established, bearing in mind the rights of vulnerable people and the principles of administrative simplification.

- The Administration of Catalonia should take the appropriate measures for the regulatory development of Law 24/2015, which should include the establishment of a report model of municipal social services to determine whether the person or the family unit is in one of the situations of risk of residential exclusion determined by the Law. The regulatory rollout should also determine the period of validity of the previous report.

- It must also be reminded the obligation of public administrations to act against criminal conduct regarding electricity networks and that of distribution companies to inform the administrations of the irregularities they detect.
- Lastly, and for cases of illegal occupations of vacant housing, the Administration should conduct a socioeconomic study on the situation of residential exclusion of the squatters to determine whether the occupation has been motivated for reasons of need and, if appropriate, provide the right solution.

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