



Accounts_Tax_Audit_Business Consultancy

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THE REFORM OF THE ELECTRICAL MARKET IN SPAIN

The process of liberation of the electrical energy began in Spain in 1997 and has travelled a long dark way for the consumer; amongst other causes because of the great amount of contradictory information sent from the trading companies.

The journey culminates/finishes next 1st July; hence we would like to clarify some main points:

1. As of this date, the trading companies that operate in Spain cannot directly “sell” the electricity to consumers. They will only be able to offer and sell the energy to the distribution companies through auctions created for such aim (so called “CESUR”). In addition to the energy also the rights of use of the distribution networks will have to be supported. The distribution companies will be the one definitively “selling” the energy to the final consumers of the electricity to the agreed prices. And this is the real crux of the matter.
2. It is important to distinguish two different groups of consumers in order to plan the search of the best possible final tariff:
 - a. Qualified Consumers (with contracts exceeding 10 kW.)
 - b. All other Consumers (with contracts under 10kW.)
3. For all other consumers, it is more advisable not to transfer their contract yet to, which in Spain has been called companies of the “free market”, that is to say, to the new distribution companies, because they are offering fixed commercial prices and discounts, but actually it is not clear yet whether their offers will be competitive tariffs on a medium-term basis. If contracts are not transferred to any of these companies from 1st July, the electricity bill will be issued as usual by the company which has always provided the energy, and the tariff to apply is the regulated price of electricity (TUR), that is to say, the same prices for all consumers with the same consumption profile nationwide. This tariff will probably be the most beneficial one considering that is protected and controlled by the Government and moreover the prediction of the experts, at least on a medium-term basis, is that this tariff will be cheaper than the “free market”, especially whilst the international crisis lasts.

4. On the contrary, Qualified Consumers, with contracted powers exceeding 10 kW. that do not transfer their contracts to the new distribution companies of the “free market”, will be granted with a transitional period until the year 2010, and within this period the tariff applicable to them will be similar to the current ones, however a quarterly increase of 5% will be charged in the bills until that date when the client will have the possibility of contracting the “TUR” tariff although with a 20% surcharge. The first thing that strikes us is that apparently the Government does not offer special protection to the qualified consumers of energy, and for this reason it is highly recommendable: to analyze the offers of the distribution companies of the “free market”, to change the contract to the one offering better conditions, providing that all the information is clear, even the “small print”, and then to proceed as soon as possible.

<u>Trading Companies</u>	<u>Contact number</u>	<u>Website</u>
Endesa Energia XXI, SL	902 508 850	www.endesaonline.com
Iberdrola Comercializacion de U.R., SAU	902 202 020	www.iberdrola.es
Union Fenosa Metra, SL	902 220 380	www.unionfenosa.es
Hidrocantabrico Energia U.R., SAU	902 860 860	www.hcenergia.com
E.ON Comercializadora U.R., SL	902 222 838	www.eon-espana.com

For further guidance and reference, you can also visit the English version of the CNE (National Energy Commission) website: www.cne.es

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