

## ALEASOFT POINTS TO A FALL OF THE SPANISH ELECTRICITY MARKET PRICE BETWEEN 5% AND 6%

**AleaSoft, October 11, 2018.** AleaSoft analyses the impact that the exemption of the "green tax" and the suspension of the 7% tax will have on the generation, in this case, for the next six months. According to AleaSoft, the quantification of the impact is a complex task due to the variety of factors involved, but estimates that the price of electricity in the wholesale market will fall between 5% and 6% until April 1, 2019.

The implementation at the beginning of 2013 of the 7% tax on generation and the "green tax" or Special Tax on Hydrocarbons, approved by the Law 15/2012, of December 27, caused electricity producers to pass these taxes on to their sale offers in the wholesale market, with the consequent rise of the electricity market prices.

Independently of the fact that the action was necessary at that time, due to the critical situation of the country and the need to increase the income, these taxes caused a direct loss for the producers and consumers of electricity. Spanish electricity producers became less competitive with respect to the French and Portuguese producers, who increased their electricity exports to Spain. Domestic and industrial consumers were affected by this rise in electricity prices.

The publication of the Royal Decree-Law 15/2018, of October 5, with urgent actions to lower the electricity bill, among other things, approves an exemption of the Special Tax on Hydrocarbons and suspends the 7% tax on the generation, in this case, for the next six months. The withdrawal of the 7% tax should be key to improve the competitiveness of our companies that produce and consume electricity now that the economic situation of the country is much better than six years ago.

A clear consequence of the tax exemption and suspension is that more Spanish combined cycles of gas have come into production these days, cycles that were not competitive before the application of the Royal Decree.

Recently, **AleaSoft** has been asked several times about the quantitative effect that this recent tax reduction will have on the electricity market. It is a difficult quantification because the market depends on many factors and too few days have passed since the publication of the Royal Decree. According to **AleaSoft's** analysis, demand has dropped these days, which leads to a drop in the prices that overlaps with the effect of lower taxes. Wind energy and hydroelectric production have also fluctuated, which masks the effect of the withdrawal of taxes.

Producer agents are adapting their sale offers by removing the effect of these taxes, which is why the spot market price is becoming lower. In **AleaSoft** we consider that in the next months, until April 1, 2019, the price of the electricity market will fall between 5% and 6% with respect to the price that we would expect without the Royal Decree.