



Commission for Energy Regulation

An Coimisiún um Rialáil Fuinnimh

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INTERIM ESB PRICE INCREASE to apply from 1 August 2008

The Commission for Energy Regulation (CER) has received an application from ESB Customer Supply for an interim increase of **17.5%** in electricity prices for households and SMEs to apply from 1st August 2008. The Commission has published its draft decision which proposes to allow this increase to take place.

The requirement for a price increase is a direct result of the sharp and consistent increase in international fuel prices over the past year. Fuel prices are the single largest component of electricity prices. These increases are impacting on all sectors of the Irish economy. The increase in prices (in euro terms) for the three main fuel inputs to electricity generation are shown below¹:

- **Gas Price:** Increase of over 130%
- **Oil Price:** Increase of 85%
- **Coal Price:** Increase of almost 100%

Against this background, it is regrettable but inevitable that consumer electricity prices will rise significantly in Ireland for 2008/09. Significant price increases have already occurred in many other European countries, including Britain and Northern Ireland, while indications are that further substantial increases are expected in these countries.

Given the impact of such fuel price increases on Irish consumers, the Commission has decided that it is reasonable and appropriate in these circumstances to deal with the inevitable price rise in two phases.

The Commission will review the situation later in the year based on market conditions at that time. A proposed decision on this will be taken in early November next to apply from 1st January 2009.

In considering this two-phase process, the Commission has requested that ESB provide a rebate of €300 million to electricity customers, to which ESB has agreed. This rebate will apply from 1 January 2009 and will offset the second phase increase by 8 -10%. This rebate will apply to all electricity customers irrespective of their supplier and the Commission will work with ESB and independent suppliers to ensure that all customers receive this rebate through their bill. The €300m rebate is composed of a package of measures including carbon allowances and revaluation of certain assets.

The Commission is aware that this increase will affect “fuel poor” customers in particular and is in discussion with relevant parties to see how these price impacts can be further mitigated.

¹ Figures quoted are percentage point representation of fuel prices in euro terms

For details on this draft decision, please view the CER's website, www.cer.ie.

For further information, please contact:

Paul Brandon
01 – 4000800
086 – 8537432

Note to Editors:

- Electricity prices were reduced by 6.1% in Ireland on 1 November 2007;
- The average annual ESB bill, based on 4,200Kwh of consumption, is currently €736 (inclusive of VAT at 13.5%);
- The impact of the proposed decision is that the average annual ESB bill will increase by €128, to €864 (inclusive of VAT at 13.5%), from 1 August 2008;
- Electricity prices in the UK have increased by 12.25% on average since January 2008, with industry indicating an increase of up to a further 40% by the end of the year;
- Electricity prices in NI have increased by 14% on 1 July 2008, with a further increase expected in Autumn;
- The price of home heating oil in Ireland has increased by 56% in past 12 months (26.5% since start of January 2008);
- Comments should be sent to the Commission by close of business on Thursday 17 July. The Commission will publish a final decision on the proposed electricity price increase on Friday 18 July 2008;
- The proposed electricity price increase of 17.5% would be implemented on 1 August 2008.