

Renewables help halt sharp rise in electricity prices in 2023

APREN underlines the positive impact of renewables mirrored in ERSE's tariff proposal for next year.

Renewable energy will help halt the sharp rise in electricity prices in 2023 for consumers and businesses. For [APREN – Portuguese Renewable Energy Association](#) this is one of the main conclusions of the proposal of Tariffs and Prices for Electricity in 2023, considering the abnormally high values being recorded in the various European wholesale electricity markets, including the Iberian one.

The proposal for Tariffs and Prices for Electricity in 2023, presented by ERSE (Energy Services Regulatory Entity) on October 17, clearly and unequivocally demonstrates this positive effect of renewable energy on electricity prices.

The tariffs for access to the grid fall again in 2023, even more significantly, with benefits for all types of consumers. This had already happened in 2022, also due to renewables.

In 2023, the decrease in grid access tariffs is mainly justified by the reduction in the Global System Use tariff, which decreases by 505%, compared to the previous year. This is the result of the decrease in Costs of General Interest (CIEG), which translate into a benefit for the National Electricity System higher than that recorded in 2022, mainly provided by renewables.

Considering the prices observed in 2022, in the regulated market, this reduction in the tariff for access to grids will contribute in 2023 to a reduction of about 80% in the final bill of domestic consumers, and to a reduction of about 35% in the final invoice of industrial consumers. Thus, it relieves the pressure of energy price increases recorded on the wholesale market and, consequently, on the final prices paid by customers, both on the regulated and liberalised markets.

In 2023, domestic consumers will benefit from an over gain following €3.3 billion of revenue stemming from the PRE cost gap (Production under Special Regime), mostly renewable. The amounts paid to electricity-producing companies selling Production under Special Regime (PRE) to the Last Resort Trader (CUR) are lower than the energy component values of electricity prices currently recorded on the wholesale market. This allows the difference to be delivered to the system, generating a real over gain provided by renewables.

Industrial consumers will also benefit of the injection of around €2 billion into grid access tariffs by 2023. Of this amount, EUR 494 million, relate to revenue stemming from the auctions of greenhouse gas emission permits, but also to the taxation of petroleum and energy products (ISP), and also to the proceeds of the extraordinary contribution on the energy sector (CESE). The largest share, 1.5 billion euros of revenues, results from the cost differential with the power plants with Energy Acquisition Contracts (CAE).

These figures will serve as a financial cushion in view of the high prices on the wholesale market. Nevertheless, in January 2023 consumers in normal low voltage, in the regulated market, which serves as a reference to the liberalized market, will see an average increase of 1.1% compared to the prices in force in December 2022. The average variation, compared to 2022, is in the order of 2.8%, but could be much higher considering the current conjuncture.

"We are reaping what we have sowed. This is proof that renewables are the right investment in Portugal. The technologies were supported at the time when it was necessary, but the 2022 revenues and those expected for 2023 far exceed the costs of previous years and are helping to control electricity prices, generating a real economic and financial over gain for the system", states APREN's CEO, Pedro Amaral Jorge.

The side effects on energy markets, resulting from the geopolitical tensions in the war in Ukraine, explain the maintenance of the abnormally high level of electricity prices in wholesale markets, which are expected to continue in 2023.

The increase in the energy component in the electricity tariff reflects the sharp rise in electricity prices in future markets in deliveries for 2023. The forecast for 2023 of the average cost of energy acquisition of the Last Resort Trader, in the Iberian wholesale daily electricity market, intended in ERSE's tariff proposal, is of €262.06/MWh. This is substantially higher than expected for 2022 in the energy components of the tariffs applied from July 2022, which corresponded to €136.6/MWh.

With the regulator's proposal for 2023, no tariff debt will be generated and therefore the sustainability of the National Electricity System (SEN) is not at issue. Due to the renewables incorporated in the SEN, the value of the tariff debt will be reduced by 830 million euros to 878.9 million euros at the end of 2023, the lowest value in 15 years. In 2015 the tariff debt exceeded EUR 5 billion.

Between January and September 2022, Portugal was the fourth country in Europe with the highest renewable incorporation in electricity generation, with 59.4%. During this period, the average hourly price recorded in MIBEL in Portugal was €186.4/MWh, tripling the increase of the same period last year. Still, MIBEL is experiencing one of the lowest average prices on European markets thanks to the Iberian gas price cap mechanism, which will be in place until June next year.

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For more information, please refer to:

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About APREN:

The [Portuguese Renewable Energy Association \(APREN\)](#) is a non-profit association founded in October 1988. Its mission is to coordinate and represent the common interests of its members, promoting renewables energies in the electricity field. APREN works closely with the government and other official entities, both on a national and international levels. It participates actively in the definition of energy and environmental policies, valuing natural resources for electricity production, namely hydric, wind, solar, geothermal, biomass, biogas, and urban solid waste.