

LAST RESORT SUPPLY

ABOUT THE LAST RESORT SUPPLY IN THE ELECTRICITY SECTOR, which will come into effect on 1 July 2009

The Last Resort Supply (LRS) will come into force on 1 July 2009, pursuant to Royal Decree 485/2009, dated 3 April, which regulates the implementation of the last resort supply in the electricity sector, and which was published on 4 April in the Official Gazette (BOE).

This Royal Decree creates new scenarios which do not involve any change in supply or in the service provided to consumers being supplied today by Iberdrola Distribución Eléctrica, SAU.

What is the Last Resort Supply (LRS)?

It is a new organisation model for the electricity sector deriving from EU regulations. From now on, distribution companies will deal exclusively with grid management, and will no longer supply electricity as they did until now.

Supply activities will be carried out entirely by retailers in an environment of free competition, where electricity consumers can choose their retailers. Some retailers, the so-called last resort retailers, must supply electricity at the price established by the government.

When will it come into force?

On 1 July 2009.

What is the Last Resort Rate (LRR)?

It is the price set by the government, specifically by the Ministry of Industry, Tourism and Trade, which will be charged by last resort retailers for consumers who are entitled to that rate.

What is the difference between a distribution company, a deregulated market retailer and a last resort retailer?

- **Distribution company:** its function is to manage the grids in its operating area for the distribution of electricity from the generation plants and the transport grids to the customer points of use. Until now it was responsible for managing the all-inclusive rate customer contracts. From 1 July 2009 onwards, it will still be responsible for managing the electricity distribution grid in its operating area, for quality of supply, for metering equipment, and for meter reading. Moreover, from that date onwards, the consumers may contact the distribution company in their area for any matters related to distribution grids, such as repairs, incidents, etc.
- **Deregulated market retailer:** its function is to supply electricity to the deregulated market consumers, i.e., those who have freely chosen their retailer and agreed to the terms of the contract. The bill paid to the retailer by the customer includes the access rate for using the retailer's power grids and the price for energy consumption under the terms of the contract signed with the retailer.

- **Last resort retailer:** its function is to supply electricity to the consumers who sign up for the last resort rate. The bill paid to the last resort retailer by the customer includes the access rate for using the retailer's power grids and the price for energy consumption according to the last resort rate set by the government.

Who will be entitled to the Last Resort Rate?

Low-voltage electricity consumers with contracted power up to 10 kilowatts (kW) (the contracted power appears on the bill) are entitled to the last resort rate. Most home consumers and even some small businesses will pay the last resort rate.

What has changed compared to the current situation for consumers with contracted power up to 10 kW?

Customers with contracted power up to 10 kW who are being supplied by Iberdrola Distribución Eléctrica, SAU and do not choose another retailer will automatically be supplied by Iberdrola Comercialización de Último Recurso, SAU. No arrangements will need to be made, and grid access and meters will remain the same. Of course, there will be no power cuts. This change involves no charge for consumers, and the price they pay for electricity will be fixed by the government, as it is today.

Who will bill from 1 July onwards?

If a contract is not signed with a retailer in the deregulated market, the customer will be billed by the last resort retailer. In the case of Iberdrola, it's first bill will include electricity consumption pending billing by the distribution company.

Will the characteristics of the current contracts change?

In principle, the contract characteristics (contracted power, meter reading frequency, time-of-day rates, etc.) will not change with the coming into effect of the Last Resort Supply.

What happens if the contracted power exceeds 10 kW?

Consumers with contracted power over 10 kW who are being supplied by Iberdrola Distribución Eléctrica, SAU must sign a contract with a deregulated market retailer before 1 July. Otherwise, the contract will be taken over by Iberdrola Comercialización de Último Recurso, SAU at a progressively higher price to be determined by the Ministry of Industry, Tourism and Trade.

Is the LRR a social rate for the most disadvantaged groups?

No, the LRR has nothing to do with that type of rates. The government has established other mechanisms, such as the Social Rate (in July 2008) or the Social Allowance (in May 2009), with a view to benefiting the most underprivileged groups.

How can I benefit from the Social Allowance?

Provisionally, until the government establishes the announced per capita income indicator (based on social, consumption and purchasing power parameters), the Social Allowance will be open to consumers with contracted power under 3 kW, retired persons collecting a minimum pension, persons over 60, families with more than four children, and families with all members unemployed.



The Social Allowance will only apply to natural persons living in their principal residence or usual address. The government will develop regulations to determine how the consumers should establish that they meet the requirements for benefiting from the allowance.

What is the Subsidised Rate for Underprivileged Homes?

Article 2 of Royal Decree-Law 6/2009 establishes the creation of a subsidised rate for underprivileged homes that will benefit individual electricity consumers in their homes. These individuals must be subscribed to the last resort rate and comply with a series of social, consumer and purchase capacity characteristics. To this end, a threshold will be established in reference to a per capita family income indicator that will require official confirmation of income established by the corresponding regulations.

How can I subscribe to the Subsidised Rate for Underprivileged Homes?

Temporarily, while the Government establishes the per capita income indicator – and depending on social, consumer and purchase capacity indicators – those individuals with a contract for power under 3 kW, retired persons over 60 years old with a minimum pension, large families and families with all members unemployed will be eligible to subscribe to the Subsidised Rate for Underprivileged Homes.

Which Last Resort selling companies or free market companies can I sign up with?

With any of the selling companies listed in the National Energy Commission (CNE) webpage: http://www.cne.es/cne/contenido.jsp?id_nodo=363&&keyword=&auditoria=Fas