

Press release

Morges, 15 August 2023

2024 tariffs

Romande Energie absorbs cost increases out of own pocket

Following the sharp increase in electricity prices in 2023, Romande Energie announces that its tariffs will remain unchanged for 2024 and that it will absorb the higher costs arising from its own distribution grid and from the national transmission grid (Swissgrid). Consumer bills will rise, however, with the introduction of a new federal tax and the planned increase in VAT.

- **All-in electricity tariffs for customers of Romande Energie (power and grid usage, including all taxes and duties) will remain unchanged in 2024**
- **New federal tax will be introduced for winter storage reserve**
- **VAT rate is to rise from 7.7% to 8.1%**

Background

In the face of climate change and the urgent need to reduce carbon intensity, our society is rapidly turning to electricity as its main source of energy. Even now, demand in winter far exceeds that which can be supplied from Swiss sources. Energy prices have eased from the market peaks seen in 2022 but have not returned to pre-summer 2021 levels amid the uncertainties surrounding the availability of France's nuclear assets, the full decommissioning of Germany's nuclear plants, the war in Ukraine and the absence of an institutional framework agreement with the EU.

Overall, Switzerland is a net exporter of electricity but it generates this power in the summer months, when domestic demand is at its lowest. Demand increases sharply during winter, forcing Switzerland to buy in energy on the European wholesale market to cover its needs. In this setting, procurement has become a pivotal issue.

Grid enhancements leading to higher costs

The number of distributed generation sites has increased dramatically in the context of the Energy Strategy 2050 and the risk of outages in autumn 2022. More so than ever, the grid needs to be strengthened for the future. In addition, distribution system operators (DSOs) continue to equip homes and businesses with smart meters, which gives them better management of consumption, in turn leading to improved efficiency. As the number of solar installations increases sharply, the grid must be able to absorb energy, which is generated at precise times of the day.

DSOs such as Romande Energie are also under an obligation to pass on the higher costs charged by the national grid (Swissgrid) for system services, VHV transmission grid maintenance and grid losses. For 2024, Romande Energie will absorb the higher grid usage fee by lowering the cost of the energy component.

Decrease in energy prices

Today more than ever, Switzerland needs to increase its capacity to generate energy from renewable sources. Now that the Climate Protection Act has been approved by referendum, power generation projects need to be fast-tracked. To achieve this, the federal government plans to streamline procedures. Romande Energie has an extensive network for generating clean energy but plans to expand this by adding solar, hydro, thermal and soon wind-power assets, once its first wind farm at Sainte-Croix comes on stream this autumn. Generating more of this type of energy domestically will cut Switzerland's dependence on neighbouring countries and imports of energy generated from non-renewable sources.

Romande Energie's clean power is automatically allocated to captive customers and currently covers 40% of their needs. This figure depends on rainfall, which so far this year appears to be more favourable than in 2022. To meet demand in full, Romande Energie buys electricity on the wholesale market up to four years in advance to manage market fluctuations as effectively as possible.

By proactively purchasing energy on the wholesale market and generating its own clean energy, Romande Energie will be able to reduce the selling price of its energy in 2024, which will offset the higher grid costs.

What will change in 2024

The reduction in energy tariffs also takes into account the decrease in the gross margin allocated to DSOs for the sale of electricity to captive customers. This margin, which is set by the Federal Electricity Commission (ElCom), applies annually to each meter. It is therefore completely independent of the price and volume of kWh supplied. It will be reduced from CHF 75 to CHF 60 from 1 January 2024.

The procurement problem in our country and the risk of outages have prompted the federal government to commission Swissgrid to build a winter storage system, the cost of which will be passed on to end users for the first time in 2024, when they will pay an extra 1.2 ct/kWh. This new levy will be added to the current federal duty of 2.3 ct/kWh for the promotion of renewable energy.

Separately, VAT will also rise from 7.7% to 8.1%.

Feed-in tariffs

Given the slight fall in energy prices, the prices offered to self-generators for feeding in renewable energy will decrease from 18.6 ct/kWh to 17.6 ct/kWh in 2024. Romande Energie will maintain its pricing policy aimed at purchasing energy at a level close to the price at which it sells it to customers (energy component only, excluding taxes and grid usage costs).

Summary

In conclusion, the all-in tariffs (supply of power and the power itself, excluding federal, cantonal and municipal taxes and VAT) offered by Romande Energie and Bas-Valais Energie will be stable in 2024 relative to 2023. In contrast, final bills will increase in spite of Romande Energie's efforts to moderate the price components that it can influence.

Example

A household in Morges (single parent with two children) living in a three-bedroom apartment that uses 2,500 kWh of electricity annually will see its bill increase from CHF 923.77 in 2023 to CHF 959.53 in 2024, including VAT, representing an rise of 3.9%.

For detailed information on prices for 2024 (French only): romande-energie.ch/tarifs

Customers wishing to estimate their bill based on where they live can use the simulator on our website (NB: some partner councils will not inform us of their tariffs until 1 September). Romande Energie is also informing its customers about the risk of outages next winter and encouraging them to do everything they can to reduce their consumption.

Notes to editorial desks

The price of electricity consists of the following:

- The cost of the energy (measured in kilowatt hours)
- The grid usage fee, covering distribution
- Taxes and duties charged by the Confederation (including federal renewable energy tax and now the extra levy for winter energy storage), by cantons and by municipalities

There are three components to the grid usage fee:

- The regional distribution fee, within the remit of Romande Energie
- The transmission fee for use of the VHV national grid, set by Swissgrid SA
- Balancing power (system services), set by Swissgrid SA

Price components that depend directly on Romande Energie (energy costs and the regional grid charge) together account for around 75% of the average electricity bill.

The remaining 25% represents the national VHV transmission fee, balancing power, and taxes and duties. These are collected by Romande Energie on behalf of Swissgrid SA, the Confederation, cantons or municipalities.

This press release concerns customers supplied through the regional power grid of Romande Energie and Bas-Valais Energie.



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Romande Energie at a glance

The Romande Energie Group is the leading electricity provider in Western Switzerland with services spanning the energy value chain. It offers a wide range of sustainability solutions to help cut carbon emissions, including tailor-made support for the independent production of clean energy as well as products and services that save and encourage smarter energy use.

Formed in 1997, **Romande Energie aims to make Western Switzerland the first region in the country to be 'net zero'**. It continues to invest heavily in expanding its network of local renewable assets – solar farms, hydropower and biomass plants, its many district heating networks, and its geothermal and wind projects – with an ever-increasing share of renewable energy supplied to its customers.

Romande Energie is committed to being a trustworthy partner in creating a society that respects the environment and people, and in promoting a sustainable local economy. **Helping customers build this sustainable future** is its core purpose.

For more information, visit

www.romande-energie.ch