



Spain approves a new social discount rate on electricity bills (*bono social eléctrico*) for vulnerable consumers

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In October 2017, the central government updated the regulation on the social protection of households experiencing energy poverty in order to alleviate material deprivation and the costs associated with housing. The regulation includes a new definition of the 'vulnerable consumer', new eligibility conditions for the reduced electricity rate and a new way of financing the measure.

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Description

The October 2017 regulation on the *bono social eléctrico* (discount on the electricity bill for vulnerable households) updates the previously existing legislation on this matter. Three important changes need to be highlighted.

First, the “vulnerable consumer” is defined as a consumer of electricity in his/her permanent residence whose individual or family annual income is below €11,279.38 (1.5 times the IPREM, the indicator of income used by Spanish public administrations to determine access to a series of social protection schemes, established at €7,519.59 per year since 2014). The threshold for being considered a “vulnerable consumer” is increased according to household size, if suffering a disability, in case of gender-based violence, or being a victim of terrorism.

Secondly, the requirements to be met by the consumer in order to be granted access to the discount rate. These are twofold:

- Technical requirements: the consumer must have a contract applying the so-called “Voluntary Price for the Small Consumer” (VPSC) tariff, and the contracted power supply in the home must be 10 kW or less.

- Social requirements: the rate of the discount depends on the consumer category. Three categories of consumers are included: a) the “vulnerable consumer” previously described, who receives a discount of 25% on his/her electricity bill; b) the “severely vulnerable” consumer, with individual or family annual income below 50% of the annual IPREM (€3,759.79), who receives a 40% discount on his/her electricity bill; and c) the “very severely vulnerable consumer”, who receives assistance from the social services of a regional or local administration, which finances at least 50% of the amount of his/her electricity bill.

In all three cases, there is a limit on energy consumption that varies according to the characteristics of the household. The discount rate on the energy bill must be renewed every two years if the situation of vulnerability persists, or if additional conditions such as being a large family or having a disabled member in the family are met.

Finally, the *bono social eléctrico* is financed by the electricity companies that sell electricity under the supervision of the National Markets and Competition Commission. In the case of “very severely vulnerable consumers”, 50% of their bill is borne by municipal or regional social services and the other 50% by the electricity companies.

Outlook & commentary

The social underpinning of this regulation is the situation of poverty and social exclusion described in the successive Spanish National Action Plans on social inclusion (NAP/Inclusion) since the beginning of this century. Furthermore, the need for the regulation is highlighted by Eurostat indicators showing that a significant proportion of the Spanish population is forced to delay the payment of their utility bills (8% in 2016, as for the EU average), and cannot maintain their home at an adequate temperature (10%, similar to the 9% EU average). These indicators suggest that around 4.5 million people are experiencing energy poverty in Spain.

Not all potential beneficiaries of the *bono social eléctrico* apply for it. The interim report of the NAP/Inclusion 2013-2016 (MSSSI, 2017) indicates that the volume of beneficiaries of the bono social in mid-2016 was 2,414,507 consumers, slightly more than half of the potential beneficiary population suggested by the above indicators. Reasons for non-take-up include lack of information, and the fear of stigma associated with receiving this benefit.

The implementation of this new regulation raises important questions. As far as financing is concerned, the central government does not bear any part of the cost

(which is financed by electricity companies together with regional and local administrations). Although there is talk of cooperation between public administrations, it is a scheme with a clearly unbalanced distribution of responsibilities. Poverty is multidimensional, and energy poverty can only be tackled efficiently by taking into account its various dimensions. Energy cannot be reduced to electricity alone and gas supply would also need to be ensured.

A number of social actors have emphasised the limitations and practical problems incurred in the implementation of this regulation. It is acknowledged that the protection of “very severely vulnerable consumers” is a step forward, as these consumers are entitled to the bono social as of right (thereby providing 100% protection to this group). Nevertheless, some problems in the implementation of the new legislation have been highlighted: a) the regulatory protection against power cuts places all responsibility in the hands of local administrations, and it will not be possible to protect the most vulnerable families from cuts if the local administration fails to cover its share of the bono social; b) the state-wide legislation does not take into account other regional regulations (such as those passed in Catalonia and Valencia), thereby causing a certain lack of coordination of initiatives aimed at combating energy poverty.

Further reading

Alianza Contra la pobreza Energética [*Alliance Against Energy Poverty*]:

<http://pobresaenergetica.es/es/>

Asociación estatal de Directores Gerentes en Servicios Sociales [*State Association of Managing Directors of Social Services*] (2017). “Impacts of the new electricity social discount rate on the public social services system”. Madrid: AEDGSS: <https://goo.gl/dCrakR>.

Ministry of Health, Social Services and Equality (MSSSI) (2017). “Final Monitoring and Evaluation Report of the NAP/inclusion of the Kingdom of Spain 2013-2016 (Draft)”.

Plataforma de Afectados por la Hipoteca [*Platform for People Affected by Mortgages*]: <http://afectadosporlahipoteca.com/>

Royal Decree 897/2017 of 6 October, regulating the figure of vulnerable consumers, the social discount rate and other protective measures for domestic consumers of electricity.

Royal Decrees 216/2014 and 7/2016, regulating the mechanism for financing the social discount rate and other measures to protect vulnerable consumers of electricity.

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