

## Changes to Eurostat tables methodology

### Introduction

This article explains the rationale behind revisions made to the UK figures within the Eurostat tables from the Quarterly Energy Prices (QEP) publication. Eurostat collect data on the price of gas and electricity across member states. The data is collected by each member state and then submitted to Eurostat for publication.

Eurostat have recently amended the previous directive to a regulation and clarified their preferred treatment of taxes and levies and have issued new guidelines. Harmonised guidance on the methodology<sup>1</sup> for data collection are provided in an attempt to have comparable statistics across member states.

The UK has amended its data collection and is now collecting data on the value of any social and environmental policies affecting gas and electricity bills. This has been done to provide a more comparable base price to compare against other EU member states.

### Summary of changes to survey

Eurostat requests that energy price data submitted is disaggregated into three elements: the base price of the energy, the cost of any social and environmental policies, and the cost of VAT, which combined make up the total price of the energy.

For domestic prices, the UK has previously combined the base price and the costs of social and environmental policies where these policy costs were not separately identifiable on a consumer's bill. This resulted in our prices showing a larger base price element and zero additional costs due to policies, whereas other member states were showing two distinct elements. For industrial prices, the same approach was taken. The cost of the Climate Change Levy is separately identified on bills so was included by BEIS as a tax and levy.

After reviewing the guidance and in discussion with Eurostat, we felt that the source of these charges is similar across the member states and therefore our statistics would be more comparable if the costs of these policies were disaggregated from the base price. As such, we have now started collecting data on the value of the energy sold that is a result of any social or environmental policy. Some policies affect only domestic or industrial whereas some affect the price of both. A full list of policies impacting bills can be found in Annex A.

### Summary of revisions

The charts below, based on prices in the period of July to December 2016, demonstrate how the new methodology acts to lower the base price and now shows the cost of the social and environmental policies. However, the total price remains unchanged. It can be seen that these policies largely affect electricity bills, and that the industrial gas price disaggregation is broadly unchanged as few policies outside of the Climate Change Levy apply to industrial gas prices.

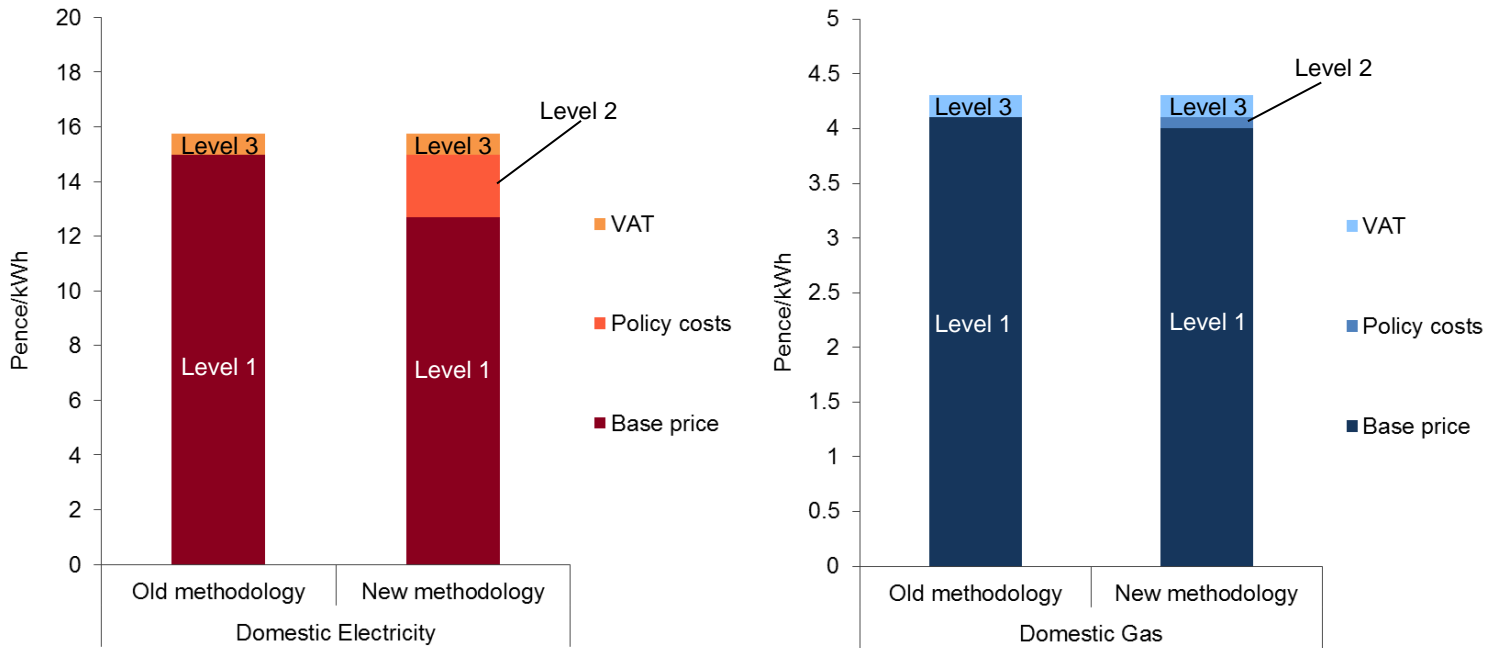
The three elements of the prices are labelled as Level 1 – 3, whereby level 1 is the base price, level 2 is the base price plus levies and level 3 which is the base price plus levies and VAT. All three levels are submitted and are available on Eurostat's website<sup>2</sup>. As part of QEP, for domestic prices, we publish level 1 and level 3 as level 2 can be derived easily by dividing level 3 by 1.05 to remove the VAT element.

---

<sup>1</sup> Eurostat regulation: <http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=OJ:L:2016:311:FULL&from=EN>

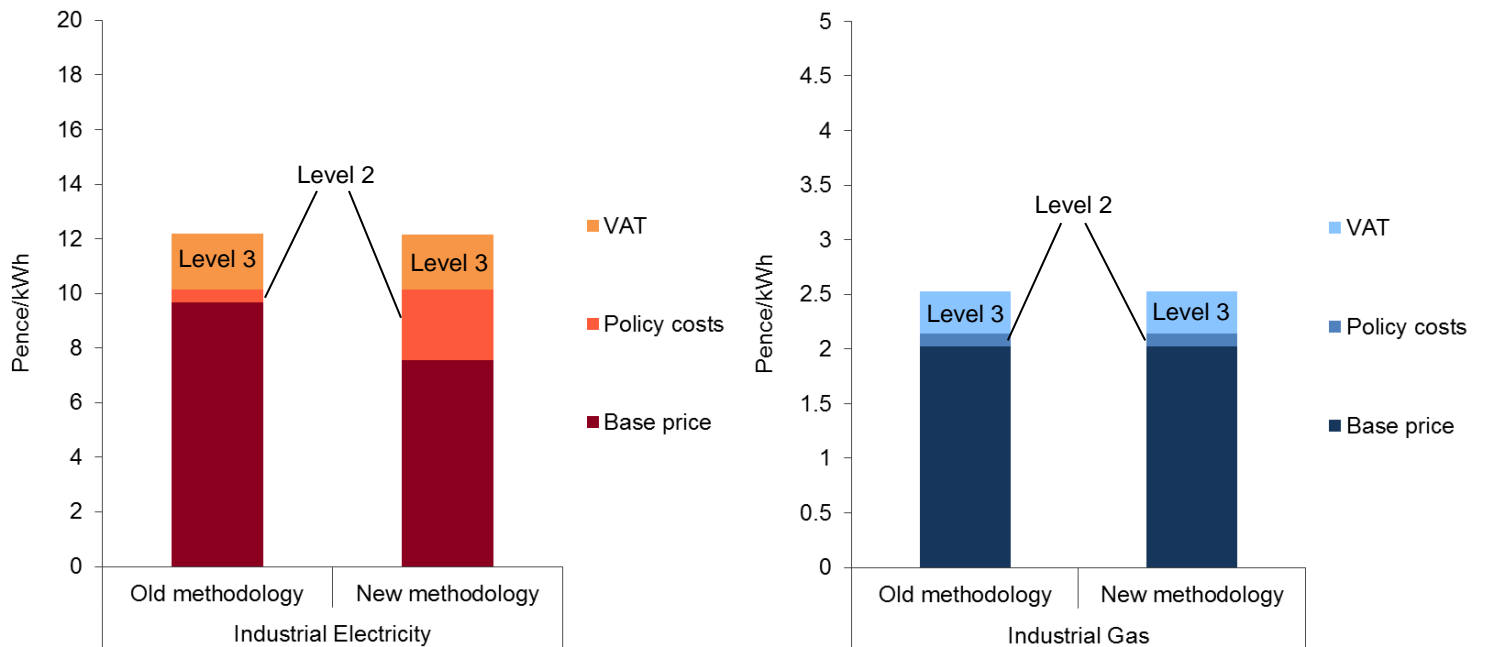
<sup>2</sup> Eurostat data: <http://ec.europa.eu/eurostat/web/energy/data/database>

**Figure 1: Domestic prices, old vs. new methodology (Medium size band)**



For Industrial users, we publish level 1 and level 2 as most firms will reclaim VAT as a recoverable cost. Also prices including VAT can be derived by adding 20 per cent to the level 2 price.

**Figure 2: Industrial prices, old vs. new methodology (Medium size band)**



## Conclusion

The changes to the methodology have been made to provide more accurate comparisons to other member states in the EU. The proportion of the total value of domestic energy sold that is a result of Environmental and social policies is 14 per cent for electricity and 2 per cent for gas over semester 2 2016. Our data collection is still being developed to be as accurate as it can be, as some suppliers have had difficulty reporting against our requirements. In comparison to Ofgem's annual report<sup>3</sup>, our data collection has requested a breakdown of some policies not covered by Ofgem's requests. However, the figures are broadly in line, where expected, with those published by Ofgem which is based on suppliers' consolidated segmental statements<sup>4</sup>.

## User feedback

Please send any comments or queries regarding this analysis to the contact details below:

### Liz Vincent

Energy Prices Statistics

Tel: 0300 068 5162

E-mail: [Elizabeth.Vincent@beis.gov.uk](mailto:Elizabeth.Vincent@beis.gov.uk)

### Reuben Pullan

Energy Prices Statistics

Tel: 0300 068 5057

E-mail: [Reuben.Pullan@beis.gov.uk](mailto:Reuben.Pullan@beis.gov.uk)

## Annex A

Policy	Domestic Electricity	Industrial Electricity	Domestic Gas	Industrial Gas
Climate change levy		X		X
Energy company obligation (ECO) measures	X		X	
Renewable obligation support costs	X	X		
Feed in tariffs	X	X		
Warm home discount (WHD) scheme	X			
Smart meters and better billing	X		X	
Assistance for areas with high electricity distribution costs	X			
Renewable energy guarantees origin	X	X		
Contract for difference support costs	X	X		
Carbon price floor	X	X		
EU ETS	X	X		
Capacity market support costs	X	X		
Carbon reduction commitment		X		X

<sup>3</sup> Ofgem bills, prices and profit: [www.ofgem.gov.uk/publications-and-updates/infographic-bills-prices-and-profits](http://www.ofgem.gov.uk/publications-and-updates/infographic-bills-prices-and-profits)

<sup>4</sup> CSS reports: [www.ofgem.gov.uk/publications-and-updates/energy-companies-consolidated-segmental-statements-css](http://www.ofgem.gov.uk/publications-and-updates/energy-companies-consolidated-segmental-statements-css)