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For the first half of 2013 LUCELEC customers paid less per unit of electricity than they did last year. So says LUCELEC Corporate Communications Manager Roger Joseph.

The reduced rate is due to a drop in the fuel surcharge applied to every unit of electricity sold. Joseph says since February the fuel surcharge has been negative resulting in a tariff reduction for customers.

“The fuel surcharge has moved from 4.4 cents in January to minus 4.7 cents in June and a month on month comparison for the first half of 2012 and 2013, shows that the final price paid by customers for electricity has been lower in 2013 than what they paid in 2012. In fact except for January, the rates that customers have paid for electricity in 2013 has been lower than the lowest rate paid in 2012, which was in the month of December,” the Corporate Communications Manager added.

The power company says the final price customers pay per unit is made up of the base tariff which is fixed in January of each year, plus the fuel surcharge and less any rebates. The fuel surcharge reflects the difference between the current price LUCELEC pays for fuel and the average price the company paid in the previous year. A negative fuel surcharge arises when the current price for fuel is lower than the average price in the previous year.

LUCELEC Managing Director Trevor Louisy says customers are benefitting from the company’s fuel price hedging programme.

“As a company we continue to do all within our power to keep electricity rates as low as possible and in the present economic environment that is so important. What customers are benefitting from now is a lower than expected rate and that has come about because of the fuel price hedging programme we commenced a few years ago. Essentially what it means is the price we are paying for fuel right now is actually lower than that on the international market because we did what you call forward hedging,” says Mr Louisy.

Hedging involves paying an established price for a commodity, in this instance fuel, to ensure a degree of control over its cost in the future. LUCELEC began its fuel price hedging programme in an effort to minimise large fluctuations in the fuel surcharge from month to month. The company is allowed to hedge 75% of its fuel volumes. The remaining 25% is bought at current market prices.

Mr. Louisy says whether the trend of the negative fuel surcharge continues depends to a large degree on what happens with the current market price for fuel in the coming months.

LUCELEC customers can keep track of the fuel surcharge on their monthly electricity bills.

Tags:

[LUCELEC](#) [1]

[customers](#) [2]

[electricity bills](#) [3]

[fuel surcharge](#) [4]

[tariff](#) [5]

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[1] <https://www.lucelec.com/tags/lucelec> [2] <https://www.lucelec.com/tags/customers>

[3] <https://www.lucelec.com/tags/electricity-bills> [4] <https://www.lucelec.com/tags/fuel-surcharge>

[5] <https://www.lucelec.com/tags/tariff>