CEER

Council of European Energy Regulators

Fostering energy markets, empowering **consumers**.

Implementing Consumer rights of the Clean Energy for All Europeans Package

Selected Case Studies

CEER Report

Customer Empowerment WS
of
Customers and Retail Markets WG

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INFORMATION PAGE

Abstract

This document, C19-CEM-120-03, seeks to contribute to a heightened awareness and understanding of certain new provisions adopted in the recast Electricity Directive, with a view to facilitating their implementation and application by NRAs, policy-makers, market actors and consumers. The report provides case studies on already-existing national solutions regarding the empowerment of consumer rights in the Directive. The seven case studies address issues that arise throughout the consumer's energy "life cycle", beginning with pre-contractual information to contracting and billing to switching suppliers.

Target Audience
NRAs, European Commission, Member States, energy suppliers, traders, gas/electricity customers, other gas/electricity industry players, consumer representative groups, Network Operators, Member States, academics and other interested parties.

Keywords
Consumer protection, consumer right, energy market, Recast Electricity Directive, National Regulatory Authority (NRA), Package on Clean Energy for all Europeans (CEP), electricity, gas, contracts, bills, billing, contract information, supplier switching.

If you have any queries relating to this paper, please contact:
CEER Secretariat
Tel. +32 (0)2 788 73 30
Email: brussels@ceer.eu

Related Documents

CEER documents

- CEER Key Positions on the "New Deal for Consumers", on the Proposed Directive on Better Enforcement and Modernisation of EU Consumer Protection Rules; Ref. C18-CRM-123-06, 9 October 2018 Consumer Empowerment CEER White Paper series (paper # III) on the European Commission's Clean Energy Proposals; 30 May 2017

- "CEER Benchmarking report on removing barriers to entry for energy suppliers in EU retail energy markets", April 2016, C15-RMF-70-03 https://www.ceer.eu/documents/104400/-/-/7c877616-0812-1f66-4dc1-44a65ad1fcf9

- "CEER Position paper on well-functioning retail energy markets", October 2015, C15-SC-36-03 https://www.ceer.eu/documents/104400/-/-/68fcbbab-dd33-9830-7126-ac22cd6b3ba9"

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- "Clean Energy For All Europeans", European Commission, 30 November 2016, COM (2016)860final https://ec.europa.eu/energy/sites/ener/files/documents/com_860_final.pdf

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EXECUTIVE SUMMARY

On 30 November 2016, the European Commission (EC) published a package of legislative proposals to facilitate the EU's clean energy transition and competitiveness in global energy markets. The Clean Energy for All Europeans package (CEP) included eight legislative texts, one of which was the proposal for a recast of the Directive on common rules for the internal market in electricity (hereafter recast Electricity Directive). The recast Electricity Directive addresses, amongst other issues, the use of technology for new processes and business models and its benefit to consumers.

After two years of legislative negotiations and entry into force on 4 July 2019, most articles of the final recast Electricity Directive will need to be transposed into national legislation by 31 December 2020. Recognising that the implementation of the CEP at national level will be one of the main priorities for National Regulatory Authorities (NRAs) in the coming years, CEER has gathered a number of national case studies from across the EU covering customer-related elements of the recast Electricity Directive.

This report describes case studies on national solutions regarding the empowerment of consumer rights addressed by the recast Electricity Directive. These seven case studies address issues that arise throughout the consumer's energy "life cycle", beginning with the selections of supplier (pre-contractual information), followed by general contractual issues and billing information and ending with the supplier switching process, as follows:

(1) Pre-contractual Information (relates to Art. 10 Electricity Directive)
(2) Energy contract (relates to Art. 10 Electricity Directive)
(3) Billing and billing information (relates to Art. 18 and Annex I Electricity Directive)
(4) Switching (relates to Art. 12 Electricity Directive)

By covering the consumer life cycle, this paper brings some already-in-place practical examples of ways to address provisions in Articles 10 to 18 of the recast Electricity Directive in particular and serves as a good illustration of each part of the consumer-supplier-relationship but draws no particular conclusions from it.

While this present report addresses consumer rights aspects, other two (separate) CEER reports address: (1) Implementing Technology that Benefits Consumers in the Clean Energy for All Europeans Package and (2) Regulatory Aspects of Self-Consumption and Energy Communities, respectively.

CEER wishes to underline that these case studies (and the series of case study papers respectively) intend to provide initial insights into national solutions, without offering at this stage specific guidance on implementation which may be addressed in future work. Moreover, this series of case study papers – including the report on Case Studies on Implementing Technology that Benefits Consumers – may become relevant when amending the ongoing work of CEER regarding the way forward to well-functioning retail markets.

1 Introduction

1.1 Background

On 30 November 2016, the European Commission (EC) published a package of legislative proposals to facilitate the EU's clean energy transition and competitiveness in global energy markets. The Clean Energy for all Europeans package (CEP) included eight legislative texts, one of which was the proposal for a recast of the Directive on common rules for the internal market in electricity (hereafter recast Electricity Directive). Following publication, CEER provided extensive regulatory analysis and input on the suite of proposals, outlining our views on the implications of the proposed changes in a series of regulatory White Papers[1]. Many of the issues identified by regulators in these papers were recognised by the European Parliament and Council of Ministers during the legislative process.

Following two years of legislative negotiations, a provisional agreement on the recast Electricity Directive was reached by EU legislators on 18 December 2018, and the final version entered into force on 4 July 2019, 20 days after its publication in the Official Journal of the European Union. This means that most articles of the recast Electricity Directive will need to be transposed into national legislation by 31 December 2020.

1.2 Scope and objective of this report

Among other issues, the recast Electricity Directive lays down key rules relating to consumer empowerment and protection. Taking into account the next steps needed to prepare national transposition and a clear understanding of new concepts and obligations in the Directive, this CEER report describes case studies from different Member States (MS) on issues that arise throughout the consumer's energy "life cycle".

1.3 Structure of the report

This report presents seven case studies from six MS covering the following topics:

(1) Pre-contractual information
- Case Study 1: Guidance on the application of the general consumer protection rules in the energy context (The Netherlands)

(2) Energy contract
- Case Study 2: Standard contract terms for electricity supply contracts (Norway)
- Case Study 3: Free price offers under uniform contractual conditions (Italy)

(3) Billing and billing information
- Case Study 4: Guidance with a specific approach on the energy bill (Netherlands)
- Case Study 5: How to monitor information that suppliers are required by law to give to customers (Sweden)

(4) Switching:
- Case Study 6: Supplier switching process/duration in combination with exit fees (France)

[1] CEER's series of regulatory White Papers are available online: https://www.ceer.eu/white-papers. These papers covered not only the recast Electricity Directive, but other proposed texts of the CEP as well.

Case Study 7: Switching Programme (Great Britain)

For each case study, the following pictograms are used to provide a simplified classification:

				
Electricity sector	**Gas sector**	**Consumer affected**	**Time frame**	**Relevant Legislation**

CEER hopes that this series of case studies, in conjunction with the other two reports on consumer-related aspects of the CEP, will contribute to a heightened awareness and understanding of the new provisions adopted in the recast Electricity Directive, with a view to facilitating their implementation and application by NRAs, policy-makers, market actors and consumers.

2 Pre-contractual information

Following the consumer life-cycle approach, the first case study deals with pre-contractual information and therefore, with the ability of consumers to be in a position to make an informed decision before signing a contract.

2.1 Guidance on the application of the general consumer protection rules in the energy context (NL)

✓	✓	All household customers	end 2014	Guidance document based on general consumer protection legislation

2.1.1 Introduction

Article 10 (“Basic contractual rights”) of the recast Electricity Directive spells out, as its name suggests, the basic contractual rights for energy customers (e.g. with a focus on relevant payment methods and a simple language). Furthermore, it addresses the minimum information requirements with regard to contract duration, prices and timely information on changes in contractual conditions.

2.1.2 Background and scope

As a multi-disciplinary authority, ACM (The Netherlands Authority for Consumers and Markets) has the advantage of being able to take a combined approach in oversight, combining sector specific legislation with the general consumer protection legislation. This has proved to be very valuable in increasing the quality of the information provided by electricity and gas suppliers. In addition to this combined approach, ACM took a customer life cycle approach to achieve a seamless and consistent information flow throughout the complete customer life cycle.

2.1.3 Key challenges and achievements

The main challenge was that none of the suppliers were fully compliant with the general consumer protection rules (Rules from the Unfair Commercial Practices Directive and Rules from the Consumer Rights Directive), owing to them focusing more on compliance with the sector-specific rules. There is, however, some overlap between the sector-specific rules and the general consumer protection rules with respect to information requirements and transparency. In addition, ACM noticed that there were discussions on how to interpret some of the general consumer protection rules in relation to energy-specific market processes. These mostly concerned the timing of certain pieces of key contract information such as the start date of supply and the level of the monthly advance payment.

For this reason, ACM decided to produce a guidance document to explain the relevant consumer protection rules, with respect to information requirements, and give guidance on how to apply these rules in the business practice of the energy sector. The energy sector was consulted before the document was finalised. Additionally, a grace period was provided for suppliers to introduce adjustments to their business practices. After explaining the rules and obtaining support, ACM announced that the next step would be to check compliance and enforce the underlying consumer protection rules where necessary.

With respect to the pre-contractual information, the challenge remained as how to get the energy suppliers to provide all the essential information to the customer while improving the comparability of the different offers to prevent information overload and ensure that price comparisons are easy and transparent.

The ACM guidance document goes into detail regarding which information should at least be provided to the customer during the complete customer life cycle[2]. ACM also provides some general basic principles that apply to all pieces of information.
Information should be:

- **Understandable**; in that the average consumer is able to understand and verify the information.
- **Comparable**; in that it is comparable across suppliers, especially when offers are presented to the consumer.
- **Consistent** throughout the entire consumer lifecycle; both within and across suppliers.

After the grace period, ACM continued with intensive investigations in all major phases of the consumer life cycle, starting with the pre-contractual information.

For the orientation phase, it is important that customers have all the essential information about what is being offered, so they can compare offers between energy suppliers. In its guidance document, ACM gave an example of a solution to this problem of comparability called ‘personalised offers’. This means that the supplier uses the consumer’s actual situation e.g. geographical location and yearly expected consumption to provide a tailored offer. The

[2] ACM Guidance document: “Provision of information in the consumer energy market”
https://www.acm.nl/sites/default/files/old_publication/publicaties/15991_informatievoorziening-energie-spelregels-en.pdf

personalised offer will contain at a minimum the total annual amount to be charged (unavoidable tax and surcharges inclusive) and be comparable to the way that Dutch price comparison tools present offers.

While there are other ways of presenting energy offers in a legally correct way, energy suppliers adopted the personalised offers as the standard and formalised this in their code of conduct. After this, ACM began checking the online offers for compliance. Most energy suppliers complied with the rules and had implemented the personalised offers on their websites. However, enforcement for four of the suppliers was necessary. They were given a provisional order for penalty payment, of which two were finalised and published. The main infractions were:

- The offers did not include all costs – network charges were omitted.
- Suppliers did not provide timely and correct information about the cooling off period (14-day period after the contract is signed during which the consumer can dissolve the contract with no additional costs besides the cost of energy already consumed).

All suppliers now provide a personal offer based on total annual cost. This also holds for the independent price comparison tools. Overall, this has resulted in major improvements in comparability. A challenge for the future is to see how suppliers implement these rules for innovative price concepts like dynamic prices or hourly prices based on the wholesale price. In those cases, it might not be easy to provide the customer with an expected yearly amount because of the added uncertainty of wholesale price developments. Based on the obligations following from Article 10 in the recast Electricity Directive and general consumer protection legislation, suppliers will have to make an effort to explain how the final price is calculated and might work with estimates to give consumers an idea of their expected total annual costs. The latter puts substantial responsibility on the suppliers to explain clearly how such total costs are calculated and why the actual costs may differ.

3 Energy Contract

After taking a decision based on appropriate information, the customer will sign a contract with an energy supplier. To ensure a level playing field between market participants, MS and NRAs are continuously checking and amending the legal framework. The case studies in this section illustrate Norwegian and Italian solutions for a standardised contract.

3.1 Standard contract terms for electricity supply contracts (NO)

✓		**All household customers and all suppliers**	**January 1, 2017/ unlimited duration**	**Industry agreement**

3.1.1 Introduction

Article 10 of the recast Electricity Directive specifies the basic contractual rights for an electricity end-user, e.g. conditions and terms of an electricity supply contract, payment methods, complaint handling, etc. The conditions must be fair, well-known in advance and provided to the consumer prior to the conclusion of the contract in line with one of the main goals of the CEP: to provide a fair deal for consumers[3]. Since the consumer is at the centre of the Energy Union, and energy is a critical good that constitutes almost 6% of household expenditure, it is important to enable consumers to be more in control of their energy bill. In order to achieve this, the European Commission proposed to reform the energy market to empower all consumers. Important measures will be to provide the consumer with information about their energy consumption and costs while also ensuring they can enter into electricity supply contracts that enable them to respond to price signals, despite this requiring a smart meter and correct settlement. Technological development of meters tends to be 'smarter' in the sense that consumers can adjust their consumption, offer flexibility, self-generate and store electricity. Without contracts that give the consumers the possibility to participate in the market and reduce their energy bill, the incentives to consume electricity in a 'smart' way remain absent. The contract between the electricity supplier and the consumer is therefore an important element to empower the consumer and provide a fairer deal.

3.1.2 Background and scope

There are around 3 million electricity customers in Norway, divided into household and professional consumers, with 2.65 million and 0.35 million customers respectively. By the end of 2017, around 70% and 90% of household and professional consumers had a spot-price-based contract[4]. The spot-price-based contract exposes consumers to risk and price changes in the wholesale market. Against this background, most Norwegian consumers can adjust their consumption to reduce their energy bill. This is unlike consumers on fixed price contracts, where price changes in the wholesale market do not give the consumer the incentives to adjust the consumption.

Freedom of contract design by suppliers is an important principle in the Norwegian electricity retail market. Not only does it encourage innovation, it facilitates opportunities in product design of contracts for consumers. Nevertheless, suppliers must still comply with existing regulations, e.g. consumer protection law. In order to clarify the suppliers' obligations, the Norwegian Consumer Protection Authority and the industry association, Energy Norway, have jointly compiled standard contract terms for electricity supply contracts offered to consumers. A new set of standard terms entered into force on 1 January 2017. These terms regulate, among other things, the suppliers' disclosure requirements when contract price or other terms and conditions will change. In addition, these terms also regulate the termination of contracts and any associated fees.

The standard contract terms are additional to the terms and conditions in the agreement between the supplier and the consumer. For instance, the price of a spot-based product may change after a marketing period, or a fixed price product may have an agreed expiry date.

[3] COM (2016) 860 "Clean Energy for All Europeans"

[4] Statistics Norway (SSB)

Suppliers are free to determine their own terms in the agreement, which may take precedence over the standard contract terms, but they cannot violate the law.
It is not mandatory to use the standard contract terms. However, the Consumer Protection Authority may take action against suppliers who use unclear or disadvantageous terms compared to the standard contract terms. This is in accordance with the Marketing Law's provision on unreasonable contract terms.

The 2017 standard terms added the following terms:

- **Disclosure requirements when price[5] or other contract terms change**: The supplier must send a notification of all changes to the consumer via a direct channel of communication e.g. an e-mail, SMS, letter or another similar measure. Notification on the supplier's webpage is not sufficient. If the change of a contract term is significant, the consumer has to explicitly accept the change to maintain the validity of the contract. Amended contract terms and conditions can enter into force at the earliest 14 days after the notification. These measures are in line with the new provisions in the recast Electricity Directive (Article 10).

- **Regulation of termination fees.** Agreement between the supplier and the consumer can be terminated with a 14-day written notice.

- **For consumers on fixed price contracts with pre-defined duration.** There is no limit on the duration of fixed price contracts. However, the most common contracts sold to households have a duration of one year or three years. The supplier can demand compensation for economic loss due to the cancellation. The compensation is calculated as the difference between the fixed price in the contract and an average of the futures price on the Norwegian electricity futures market (operated by Nasdaq) for the remaining period of the contract. The supplier can charge the consumer this price multiplied with the expected consumption (kWh) of the remaining period based on historical consumption data.

- **For consumers on a spot or market price contract.** A binding period can only be used for products where the consumer is given an economic advantage that is reasonable given the duration of the binding period. When a contract is terminated earlier than the agreed expiry date, the supplier can demand a termination fee equivalent to the economic advantage the consumer has received, as now provided in the recast Electricity Directive. Advantages may include, for example, gift certificates or discounts on other products. If the consumer is in the second half of the contract period, the termination fee should be reduced according to the remaining period.

- If consumers do not sign a new contract when a fixed-term contract expires, the consumer can receive a pre-defined product, which is agreed on the original

[5] Except for price changes in a spot or dynamic price contract where the price is determined every day at the wholesale market. Suppliers will have to notify consumers of changes in the add-on that is often charged in these products. The price per kwh is normally structured like this: add-on (around €0,004-€0,005) + market price for hour X.

agreement. For instance, a standard spot price contract with a charge on approximately 0.0053 €/kWh.

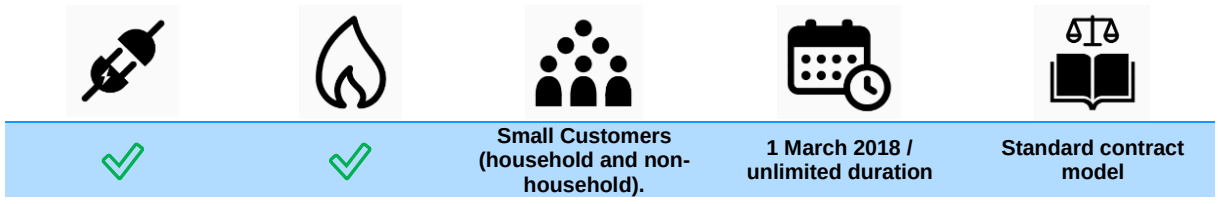
3.1.3 Key challenges and achievements

Standard contract terms do not regulate the method for calculating the price in spot-based products. This is a challenge for consumers with a spot price-based contract and a traditional meter[6] where the supplier can determine the consumption profile and settle with the consumer afterwards. Such a settlement may give the consumer an economic disadvantage – because the profile used by the supplier can allocate a larger part of the consumption to peak hours. Fixed price consumers are settled after the agreed fixed price multiplied by consumption meaning these customers do not face this challenge. Since the freedom of contract design principle is important, NVE does not wish to explicitly regulate product types and calculations methods. However, a possible way to address this could be to regulate the disclosure requirement of the calculation's method, and subsequently present this information to consumers.

Freedom of contract design is an important principle in Norway. However, it still remains necessary to regulate contract terms between the supplier and the consumer. The standard contract terms that entered into force in 2017 clarify the consumer protection law regarding the electricity supply contracts between suppliers and consumers. The revised agreement provides an explicit model to handle the contentious issues of contract termination and termination fees calculation. This improves transparency for customers who enter into contracts with a fixed duration and contracts that offer electricity bundled with another economic advantage like a gift certificate. The increased transparency does not prevent product innovation in the electricity market.

Many Norwegian consumers have a spot price-based contract that enables them to have greater control over their energy bill. However, challenges remain. It should be noted that smart meters will, to some degree, solve the challenges mentioned here as well as increase the empowerment of consumers, and put the consumer at the centre of the electricity power market, as intended by the CEP provisions.

3.2 Free price offers under uniform contractual conditions (IT)



[6] As Norway now has over 99% penetration of smart meters due to obligatory smart meter roll out, this is much less of an issue now, but the example can be a pertinent issue in other countries.

3.2.1 Introduction

As in the two previous case studies, the Italian case study also addresses Article 10 of the recast Electricity Directive.
The Italian Regulatory Authority for Energy, Networks and Environment "ARERA" (hereinafter the ARERA) has introduced a special rule for retail price offers to facilitate consumer participation in the energy market. The measure concerns the definition of certain offers called "PLACET", i.e. offers that are easy to understand, comparable and offered by free market suppliers. The contractual terms and conditions are set by ARERA, whilst prices are set freely by the supplier according to a structure established by ARERA.

3.2.2 Background and scope

In July 2017, Resolution no. 555/2017/R/com was adopted by ARERA. The Resolution laid down the general rules of the so-called "PLACET offers" (Italian acronym of *Prezzo Libero A Condizioni Equiparate di Tutela*).

PLACET offers are intended to help consumers enhance their ability to choose their supplier and facilitate comparison within the liberalised market. Thus, they have been designed as an innovative end-customer protection instrument to guarantee greater simplification and comparability.

The general supply conditions can be drawn up by the supplier in accordance with a form published on ARERA's website, approved as a result of a permanent roundtable. Meanwhile, the economic conditions are defined between the parties in accordance with a pre-defined fee structure.

These provisions are applied to small customers served in the liberalised market. For the electricity sector, this concerns all household and non-household customers connected to the low-voltage grid while for the gas sector, it applies to household and non-household final customers holding PDRs (*Punto di Riconsegna*) with annual consumption of less than 200,000 Sm^3 (standard cubic meter) with the exception of customers engaged in public service activities.

The regulation of the economic conditions is simplified: for the energy part, a single structure should be adopted for all customers, divided into point price (€/point/year, called Pfix) and energy price (proportional to the volumes withdrawn €/kWh or €/Smc, called Pvol), simultaneously confirming the application of two PLACET offer formulae, one with a fixed price and one with a variable price. As regards the adoption of variable price offers, the energy price is indexed to the price of the raw material in the wholesale market and envisages the definition of a spread defined by the vendor.[7]

All liberalised electricity and gas market suppliers must include these two types of products within their offers.

[7] In other words, the Pvol component applied to the volume of energy withdrawn is in turn composed of a variable part which is indexed to commodity prices in the wholesale market and a fixed part that remains constant within 12 months from the beginning of the supply.

3.2.3 Key challenges and achievements

As of 1 March 2018, electricity and gas suppliers operating in Italy are required to offer in any geographical area where they are active a fixed price and a variable price PLACET offer, for the electricity and gas sectors, respectively. PLACET offers must be limited to the supply of the commodity, without including additional services, and not of the dual fuel type.

The general contractual terms and conditions for supply must be drafted in accordance with the rules laid down in Resolution no. 555/2017/R/com. However, suppliers are free to use a standard contract model form drafted by ARERA. This form is the benchmark for PLACET offer contracts, and it is also used by ARERA to monitor any form set up independently, to assess whether they meet the requirements of the PLACET rules.
The variable price PLACET offer for electricity is referenced to the day-ahead market price (PUN - National Single Price) and for gas the TTF (the reference index of the Dutch wholesale gas market).

Customers also benefit from a discount for electronic billing and direct debit. The contract has an indefinite duration with economic conditions that are renewed on a yearly basis. Suppliers are required to notify their clients in writing about the new economic terms that apply for the upcoming 12 months, with at least three months' notice before the expiration of the economic conditions. Customers are then free to withdraw from their contracts if they do not accept the new conditions of which they have been notified. This requirement is similar to the new provisions regarding prior notification in the recast Electricity Directive (although the notice period is shorter in the Directive).

Households are always able to benefit from the "Social Bonus", a protection mechanism designed specifically for domestic customers in situations of economic hardship or serious health conditions, by which they receive a bonus or discount on the supply of electricity/gas.
Finally, Resolution no. 555/2017/R/com also completes the regulatory framework of the minimum contractual conditions applying to all free market offers other than PLACET, starting from 2018, in particular with reference to the new rules on the conclusion of contracts and billings (with the relevant prohibition of the application of specific charges for receiving bills).
Furthermore, the comparability of commercial offers available to small customers, including non-household customers in the electricity sector and condominiums in the gas sector, is ensured by an online price comparison tool (www.ilportaleofferte.it) called "*Portale Offerte*" in a simple and comprehensive manner. The "Portale Offerte" lists all the electricity and natural gas offers addressed to the public (e.g. offers advertised or published on the suppliers' websites, at their front desks, on all the other websites and in the media with at least regional coverage) including PLACET.

The user can visit the "Portale Offerte" from any device (smartphone, tablet or PC) in order to view the list of the available offers. The user has to indicate the type of supply (electricity, gas or dual fuel), the delivery profile (even through a simulator that allows an estimate to be made) and the kind of offer desired – at fixed or variable prices. Customers can easily view all available offers, with discounts, sorted and filtered according to their preferences. For assistance, it is possible to contact by telephone ARERA's Consumer Help Desk, which offers a free customer support service.

4 Billing and Billing Information

Once the consumer has chosen a supplier and signs a contract, he/she is part of the customer-supplier-relationship whereby the main part of the communication between supplier and the customer is based on billing-related issues. This case study provides a practical example for legislation on billing related issues in the Netherlands.

4.1 Guidance with a specific approach on the energy bill (NL)

4.1.1 Introduction

Article 18 (“Bills and billing information) and Annex I (“Minimum requirements for billing and billing information”) of the revised Electricity Directive set the minimum requirements for billing and billing information. Annex I gives a detailed list of information items that should appear on the bill or in the billing information. In addition to the content of the bill, Article 18 also states some obligations about billing based on actual consumption and on electronic billing. For this case study, the focus is on the content of the bill and therefore Annex I.

4.1.2 Background and scope

The energy bill is an important piece of information, especially in a system with annual settlement bills. The energy bill is the document that a customer depends on to check if the energy supplier provides what was offered in the pre-contractual information and what was confirmed in the contract. ACM used this notion to scope an investigation with respect to the energy bill.

1. The energy bill should follow seamlessly from the offer, the contract and information about price changes.
2. Furthermore, the customer should be able to use the energy bill to self-check if the supplier delivered what was promised.

ACM did not check the correctness of the energy bills and did no consumer research on the comprehensibility of the energy bills. The ACM guidance document mentioned earlier in case study 2.1.1. was relatively brief on the topic of the energy bill. This is partially because it is a complicated issue, and partially because ACM believes that the energy bill provides an opportunity to energy suppliers to differentiate themselves from each other. ACM wanted to prevent the emergence of one billing format laid down by the regulator. Instead, ACM provided a list of the minimum information that should be on the energy bill, comparable with Annex I in

the recast Electricity Directive. In addition, ACM used general consumer protection legislation to argue that energy bills should, at least, comply with the two principles mentioned above. Following from these principles, during an information session for suppliers, ACM explained the minimum requirements for the energy bill with respect to verifiability:

- On the energy bill, consumers must see all the tariffs and costs that were offered during the pre-contractual phase, that were agreed on in the contract and that were communicated when prices changed.
- To achieve this, the different prices should be linked to the right price period in time and the corresponding energy usage in that period.
- With smart meters, bills can become even more accurate and based on actual consumption for every price period (similar to the provisions included in the recast Electricity Directive).
- The bill must empower the customer and make sure they can self-check it with their contract.
- Energy billing only works when suppliers look at all the individual documents as one information flow and use the same definitions, wordings, units and level of detail in all documents, so that they make up a seamless information flow.

4.1.3 Key challenges and achievements

Following the information session for suppliers, ACM provided suppliers with a grace period to make adaptations to their energy bills to comply with the two basic principles of seamless information flow and verifiability. After this grace period, ACM checked the new energy bills of all energy suppliers. There were some major improvements, however, there was still a substantial group of energy suppliers that did not comply (fully) with the principles. This last group was divided in two. The majority of these suppliers got a formal warning stating which parts of the energy bill were not according the rules. For three energy suppliers, compliance was at such a low level that ACM decided to give them a provisional order for penalty payment, of which two were finalised and published. Simultaneously, ACM communicated on the results above by “faming” the energy suppliers that did comply, naming them explicitly in the press release. Following these warnings, (provisional) orders for penalty payments and the communication, ACM did a final check and all energy bills complied with the basic principles.

Prior to the information session mentioned above, ACM had done a first check on the verifiability of the energy bill by comparing the bill with the corresponding contract and the information of price changes that were provided during the contract. ACM concluded that, in most cases, it was very difficult to calculate and check if the supplier provided the energy for the price that was offered and signed in the contract. Intermediate price changes made this check even more difficult.

The major issues ACM observed were:

- Energy suppliers did not specify the different price periods and the corresponding energy consumption.
- Energy suppliers used weighted average tariffs multiplied by total annual consumption and so price changes were not visible on the energy bill.

- Energy suppliers used different units in the offer, the contract, information on price changes and on the bill, which made the bill very difficult to check.
- Energy suppliers did not explain the origin of meter values and the allocation of consumption to different periods.

The main challenge was to improve the verifiability of the energy bills, and with that potentially also the comprehensibility, without prescribing a billing format that stifles innovation and competition amongst energy suppliers.

Future and innovative price concepts, like energy contracts linked directly to the spot market and billing per hour based on smart meter readings, pose a new challenge to the billing system. These products are not suitable for the traditional yearly settlement bill of a few pages. With the vast amount of price changes, it is impossible to achieve a seamless information flow and verifiability through a traditional bill. Digital billing and personal pages on the website of the energy suppliers should provide the customer with all the information that is needed to check if the supplier delivered what was promised.

4.1.4 Next Steps

As stated above, the main challenge going forth will be to keep the standards of information up to date for new and innovative tariff concepts. Furthermore, there is a tendency to bundle other products with the supply of energy.[8] This also poses a challenge on the energy supplier to inform customers well in advance about the consequences of bundling and provide a seamless information flow and verifiable bills, especially instances where one bill is provided for a multitude of services.

4.2 How to monitor information that suppliers are required by law to give to customers (SE)

4.2.1 Introduction

Article 18 and Annex I in the recast Electricity Directive require that a large number of information items should be contained in or attached to the bill, for example, information about consumption data[9]. The aim is to “ensure that bills and billing information are accurate, easy to understand, clear, concise, user-friendly and presented in a manner that facilitates comparison by consumers.”

[8] See CEER’s draft Guide on Bundled Products – Public Consultation Document: https://www.ceer.eu/ceer-public-consultation-on-the-draft-guide-on-bundled-products

[9] Electricity directive, Annex I, 1.2.

The purpose of this case study is to describe a method for how to monitor supplier and Distribution System Operator (DSO) compliance with legislation on mandatory information to consumers, e.g. information in contracts and bills. The experience shows that the implementation of new rules for information to consumers need to be followed up by monitoring to ensure a high degree of compliance.

4.2.2 Background and scope

This case study concerns mainly the electricity sector, but the same method could be used to monitor suppliers and DSOs in the gas market.

The monitoring exercise described in this case study was performed in two waves, the first in 2016 and the second completed in September 2018. In the first wave, Swedish energy regulator Ei monitored how 24 suppliers and 151 DSOs complied with eight statutes in the Swedish Electricity Act. In the second wave, Ei monitored how 12 suppliers and six DSOs complied with three additional statutes in the Electricity Act.

In 2013 and 2014, the Swedish Regulatory Authority (Ei) received many complaints from household customers about difficult and incorrect information from suppliers and DSOs. As a result, in 2015 Ei focused resources on monitoring information obligations in the Electricity Act. The purpose of these regulations is to strengthen the position of household customers in the electricity market. A prerequisite for an efficient market is that household customers receive accurate and easily understandable information

Around 120 suppliers sell electricity to Swedish household customers. The suppliers and DSOs monitored in the first wave were chosen using the following criteria: companies not supervised recently or never, companies that cover a large share of the market and companies with excessive customer complaints. The purpose of the first wave was to see whether the 24 selected suppliers (covering approximately 80% of all customers) and the 151 participating DSOs (covering all customers) complied with the regulation.

For suppliers, the statutes that were monitored concerned:

- Mandatory information in contracts about the provisions applicable regarding extension of fixed term contracts. The contract should describe what happens when the contract expires (if the customer has not chosen a new contract) or what happens when the if the contract is extended with a similar fixed term contract or alternatively if the consumer is moved to another type of contract that contains different terms.
- Mandatory information to consumers that have a fixed-term contract about the expiry date of the contract and the consequences of the expiry of the contract. The supplier should inform the consumer no earlier than 90 days and no later than 60 days prior to the expiry of the contract inform the consumers. This should be done in a message to the consumer separated from other information.
- How suppliers on their websites, bill or upon request in another way, provide consumer related information.

For DSOs, the compliance of the following statutes was monitored:

- Information about security of supply in the electricity network and the right to compensation for outages and damages.
- Information about the network tariffs: statutes require DSOs to publish their network tariffs to the extent that it relates to charges and other conditions for transmission of electrical power.
- Information about consumption data.
- Information in contracts e.g. where household customers can find information on the DSO´s pricing, other conditions and conditions for invoicing and payment.
- Information to consumers that have been assigned a supplier (default supplier/supplier of last resort) such as the name of the assigned supplier, what the assigning entails and how to switch supplier.
- How DSOs, be that on their websites, bills or upon request in another way provide consumer-related information.

A questionnaire was sent to the participants and the answers were analysed by Ei. The companies were also asked to provide randomly chosen, actual, anonymised bills. The results showed there was a considerable lack of information and that the information was difficult to understand for consumers. 23 out of 24 suppliers and approximately half of the 151 DSOs had incomplete information at different levels. Some lacked intended statute information as a whole and others had incomplete information. All these companies received an injunction from Ei to provide consumers with the correct information within a specific time period. None of the companies appealed the decisions.

For some statutes, the result was so poor that Ei began to develop secondary legislation, which came into force in January 2019. It concerned the obligation for suppliers to, no earlier than 90 days and no later than 60 days prior to the expiry of the contract, inform the consumers. According to the new secondary legislation suppliers now shall inform the customers:

- that they will continue to be customers to the supplier if they do not sign a new contract;
- about what type of contract they will be signed up for;
- about the binding time of that contract;
- about the notice period; and
- about the price.

The information shall be given in a separate message and can be mixed with marketing or other information.

In 2018, a follow-up to the first wave was conducted. On this occasion, six suppliers and six DSOs were monitored to see how they complied with three additional statutes in the Electricity Act regarding mandatory consumer information. The statutes concerned how DSOs and suppliers on their bills and upon request in other ways provide consumer-related information[10]. Four out of the six suppliers, and five out of the six DSOs had incomplete information at different levels.

[10] Electricity act, chapter 11, 18§, Consumer information on the bill

In the second wave, six suppliers were monitored regarding how they handled information given to customers on default contract (when a supplier is appointed, on a quarterly basis and on bills). The result was that only one of the six suppliers complied with the requirements in the Electricity act.

The selected suppliers have large market shares. Additionally, two of the suppliers and one of the DSOs were chosen because of the extensive shortcomings they showed in the first wave. The rest of the DSOs were chosen because they had not been monitored regarding these statutes before.

4.2.3 Key challenges and achievements

Immediately after the first wave, Ei noted that higher number of customers were beginning to receive a higher quality of information. The challenge for ensuring such compliance is to undertake monitoring with sufficient frequency to keep the quality as high as possible. The Swedish legislation has implemented a broad set of standards for key information in advertising and bills, although Ei does not regularly monitor the compliance for all of these.

To maintain a high standard of quality, Ei decided to combine continued monitoring (the second wave) with development of new secondary legislation (described above) and dialogue with the industry regarding the result of the monitoring and the NRA's interpretation of the legislation. This strategy has been successful thus far.

5 Supplier Switching

Even in a "perfect" customer-supplier-relationship, easier switching ensures that competition generates pressure on the suppliers to provide the best for the consumer. This is even more important if the level of competition is low. Two case studies by CRE and Ofgem show how make switching supplier easier and how to support the consumer.

5.1 Supplier switching process / duration in combination with exit fees (FR)

✓		Household consumers with conventional and smart meters	Smart meter roll-out from 2015 to 2021	Soft law, defined within stakeholder fora

5.1.1 Introduction

Article 12 (“Right to switch and rules on switching-related fees”) of the recast Electricity Directive states that “switching suppliers (…) shall be carried out within the shortest possible time. Member States shall ensure that a customer wishing to switch suppliers (…), while respecting contractual conditions, is entitled to such a switch within a maximum of three weeks from the date of the request.” Also, it must be ensured “that at least household customers (…) are not charged any switching-related fees.” Currently in France, there are about 39 active nationwide suppliers (of which 23 for household consumers) in the electricity market and in 2017 there were about 1.4 million changes of supplier (of which 1.2 million were for household customers). This case study describes different situations of changing electricity supplier dependent on the need of a physical intervention. If the change of supplier requires technical intervention, it will involve a longer duration.

5.1.2 Background and scope

A simple change of supplier does not require a technical intervention and can be executed on any chosen date regardless of the type of meter. However, the earliest chosen date depends on the type of meter:

- For consumers with conventional meters (27 million consumers): on the day of the supplier's technical request to the distribution system operator (DSO);
- For consumers with smart meters (8 million consumers, smart meter roll-out ending in 2021): on the day following the supplier's technical request to the DSO. When the conditions for the switch are fulfilled, the DSO remotely operates the meter, which is done once per day at midnight. The DSO then gives the actual reading provided by the smart meter to both the old and the new suppliers and completes the change of supplier.

When a technical intervention is required (e.g. circuit-breaker adjustment), the change of supplier is done:

- For consumers with conventional meters: between the chosen date D and D + 21 calendar days. The maximum duration of D + 21 calendar days cannot be exceeded unless requested otherwise by the consumer;
- For consumers with smart meters: on the day following the supplier's request (exception: technical malfunction).

Switching supplier is free of charge. If an additional technical intervention is necessary to fulfil the consumer’s request (e.g. network tariff change), a corresponding intervention fee is charged to the consumer. However, if an intervention is necessary due to technical malfunction, there will be no additional fee charged to the consumer.

There is no duration commitment and are no exit fees for household customers.

However, for professional customers an exit fee may exist. For example, a supplier may provide a professional customer with a fixed-term contract with a guaranteed price. If the customer changes to another supplier, the professional customer will have to pay termination fees for early cancellation. The termination fee is calculated as a percentage of the guaranteed price multiplied by consumption forecast on the remaining term of the contract. This is similar to the principle of recovering the direct economic loss of the supplier, as provided in Article 12(3) of the recast Electricity Directive.

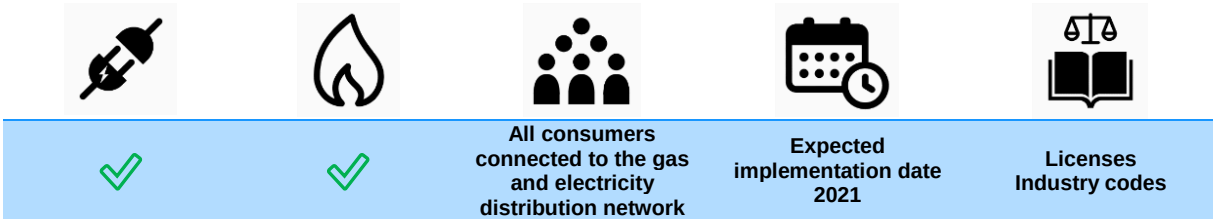
5.1.3 Key challenges and achievements

Remote operation is essential to validate the change of supplier. In case of failure, a technical intervention is required. However, interventions related to a change of supplier do not have priority over interventions related to commissioning: the DSO only has to intervene within 21 calendar days, which can entail a very long duration for a change in supplier to be effective.

5.1.4 Next steps

There is no major evolution expected regarding the change of supplier procedure. The major challenges for the coming years are the full deployment of smart metering and perfecting data communication from the meter to the DSO IT system.

5.2 Switching Programme (GB)



5.2.1 Introduction

Similar to the French case study, this British case study also provides an example linked to Article 12 of the recast Electricity Directive, in particularly, a focus on article 12.1 ensuring that “switching suppliers…shall be carried out within the shortest possible time” by providing an improved switching service.

GB currently has over 50 suppliers in the domestic (household) retail market for electricity and gas. The current processes for switching suppliers are considered slow. They were designed in the last century, and in some instances rely on outdated IT systems. The underlying data is poorly managed, which results in errors and problems during the switching process, in particular delayed, failed and erroneous switches. This is unacceptable for today’s energy market. These outcomes cause direct consumer detriment and create a consumer perception that switching is a hassle. Consumer research by the national regulatory authority (Ofgem) suggests that this hassle is an important factor driving down consumer engagement in the

energy retail market. Switching currently takes on average two to three weeks, which compared with other markets, is slow, all while consumer expectations are rising thanks to increasing achievements in new technology. The GB Switching Programme seeks to deliver next-day switching for consumers. The recast Electricity Directive also requires Member States to take appropriate measures to promote and facilitate an efficient use of energy by small energy customers, including domestic customers. It has been identified that a significant proportion of consumers have not switched energy suppliers for more than three years. Additionally, some consumers are not engaging with the energy retail market due to concerns about the reliability and speed of switching. There are system and process issues along with data quality concerns. Ofgem has embarked on a programme of activity to deliver a faster, more reliable and cost-effective switching process for all domestic and non-domestic consumers connected to the gas and electricity distribution networks in GB.

5.2.2 Background and scope

There are currently over 50 suppliers in the GB domestic (household) retail market for electricity and gas. Customers enter into a contract with their supplier for the supply of energy to their premises and pay the supplier for the amount of energy they consume. In the household market, many customers enter into a dual fuel contract with a single company for the supply of both gas and electricity. A customer can choose to switch his/her contract and be supplied by a new supplier. A customer can use a third-party intermediary to help facilitate this choice and initiate the switching process. The new supplier will manage the switching process on the customer's behalf. Household consumers typically have 14 calendar days after entering into a contract (the 'cooling off period') to decide whether to cancel that contract. There are a number of actors involved in this switching process; network operators, supplier agents (e.g. meter operators and meter readers). They need to receive and validate data associated with a customer wishing to change energy suppliers. The interactions between these actors are not as smooth as one would expect and as a consequence the average switching timeframe is about 14 to 21 days. To note, this is currently within the parameters of Article 12(1) entitling a change of supplier "within a maximum of three weeks", however this is slow compared to consumers' expectations.

Ofgem's Switching Programme is one initiative within a broader set of reforms that are taking place to empower and encourage consumers to engage effectively with the energy market, and to improve their experience of doing so.

A new Central Switching Service (CSS) will be created and effective from 2021. It will manage both gas and electricity switching utilising common processes for both fuels (where possible), driving the switching process to be conducted within the shortest possible time. For most customers this is expected to be the next day, and fulfilling article 12.4 by granting customers the right to switch "in a non-discriminatory manner as regards cost, effort or time".

To address data quality concerns, the new switching arrangements allocate data stewardship and accountability for data accuracy to the appropriate industry parties, which will be set out in new legislation.

Ofgem is committed to making the energy market work better for consumers by improving their experience of switching, leading to greater engagement in the retail energy market. Ofgem is doing this by designing and implementing the new switching process that will be more reliable, faster and cost-effective to harmonise processes across gas and electricity supply. This will build consumer confidence and facilitate competition in the retail market to deliver better outcomes for consumers. Ofgem expects consumers to be able to benefit from faster and more reliable switching in 2021.

5.2.3 Key challenges and achievements

Procurement of the new switching arrangements is underway. It is envisaged that the procurement of the new systems will be completed by the end of June 2019.

The key challenge is ensuring and assuring the delivery of the new arrangements. It is necessary to assure that all parties understand the new arrangements, mobilise the necessary resource to modify their systems and processes and comply with the relevant system integration plans.

5.2.4 Next steps

Ofgem has agreed the delivery approach to establishing the new CSS. Ofgem has modified the license conditions of its delivery partner to enable the procurement and operational management of the new CSS.
Given the significant number of actors and systems that need to interface with each other, Ofgem has required the procurement of a System Integrator that will be responsible for ensuring all the relevant IT systems interact in the right manner. Additionally, a programme assurance function is also being procured that will be responsible for making sure all activities are delivered in accordance with the programme plan.

Annex 1 – List of abbreviations

Term	Definition
ACM	Autoriteit Consument & Markt
ARERA	Autorità di Regolazione per Energia Reti e Ambiente
CEER	Council of European Energy Regulators
CEP	Clean Energy (for all Europeans) Package
CRE	Commission de régulation de l'énergie
CSS	Central Switching Service
CZ	Czech Republic
CZK	Czech koruna
DSO	Distribution System Operator
Ei	Energy Markets Inspectorate
EU	European Union
ERO	Energy Regulatory Office
FR	France
GB/UK	Great Britain / United Kingdom
IT	Information technology
ITA	Italy
kWh	Kilowatt hour
MS	Member State
Nasdaq	National Association of Securities Dealers Automated Quotations
NL	Netherlands
NO	Norway
NRA	National Regulatory Authority
Ofgem	Office of Gas and Electricity Markets
PDR	Power Distribution Rentals
PLACET	Prezzo Libero A Condizioni Equiparate di Tutela
SE	Sweden
SMC	Small and medium size companies
SMS	Short messaging service
TTF	reference index of the Dutch wholesale gas market

About CEER

The Council of European Energy Regulators (CEER) is the voice of Europe's national energy regulators. CEER's members and observers comprise 39 national energy regulatory authorities (NRAs) from across Europe.

CEER is legally established as a not-for-profit association under Belgian law, with a Secretariat based in Brussels to assist the organisation.

CEER supports its NRA members/observers in their responsibilities, sharing experience and developing regulatory capacity and best practices. It does so by facilitating expert working group meetings, hosting workshops and events, supporting the development and publication of regulatory papers, and through an in-house Training Academy. Through CEER, European NRAs cooperate and develop common position papers, advice and forward-thinking recommendations to improve the electricity and gas markets for the benefit of consumers and businesses.

In terms of policy, CEER actively promotes an investment friendly, harmonised regulatory environment and the consistent application of existing EU legislation. A key objective of CEER is to facilitate the creation of a single, competitive, efficient and sustainable Internal Energy Market in Europe that works in the consumer interest.

Specifically, CEER deals with a range of energy regulatory issues including wholesale and retail markets; consumer issues; distribution networks; smart grids; flexibility; sustainability; and international cooperation. This report was prepared by the Consumer Empowerment Work Stream of CEER's Customer and Retail Market Working Group.

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More information at www.ceer.eu.