

**Response to European Commission's
Public Consultation on Retail Markets**

16 April 2014

INFORMATION ABOUT THE RESPONDENTS

Are you responding to this questionnaire on behalf of/as:

- Public Authority

On behalf of/as:

Council of European Energy Regulators (CEER)

Please enter your name or the name of your company/organisation:

Ms Natalie McCoy, Secretary General

Please indicate your principal country or countries of residence or activity:

- EU 28

Which other country

Norway, Iceland

What is your role in the energy market?

- National Regulatory Authority

Please specify your role:

The Council of European Energy Regulators (CEER) is the voice of Europe's national regulators of electricity and gas at EU and international level. Through CEER, a not-for-profit association, the national regulators cooperate and exchange best practice. A key objective of CEER is to facilitate the creation of a single, competitive, efficient and sustainable EU internal energy market that works in the public interest.

I. GENERAL FUNCTIONING OF THE RETAIL MARKET AND CONSUMER PARTICIPATION

1. A well-functioning retail energy market offers consumers means of managing their energy procurement and consumption as well as controlling their energy costs. This should increase consumers' trust in the energy sector. However, the functioning of retail energy markets is affected by a number of factors as briefly described in the introduction and more in detail in e.g. the Communication on the Internal Energy Market (COM/2012/0663 final). Furthermore, in addition to functioning retail markets, there are other important factors that determine if consumers obtain their energy on the terms that are best for them.

Please give your opinion on the relative importance of the following factors in helping residential consumers and SMEs better control their energy consumption and costs.

	Irrelevant	Unimportant	Important	Very important	No opinion
a) Well-functioning wholesale market				X	
b) Customer choice between competing offers				X	
c) Easy access to technology such as smart meters or appliances				X	
d) Secure access to more detailed energy consumption data				X	
e) Easy access to demand response services			X		
f) Easy access to energy efficiency services				X	
g) Strong consumer protection				X	
h) Market-based consumer prices				X	
i) Regulated consumer prices	X				
j) Transparent contracts and bills				X	
k) Bill reflecting real instead of estimated consumption				X	
l) Light permitting and grid connection procedures for self-production		X			
m) Right to sell excess energy		X			
n) Protection against misleading selling methods and practices				X	
o) Protection of vulnerable consumers				X	
p) Independent and competent National Regulatory Authority				X	

2. Are there other factors which would enable residential consumers and SMEs to better control their energy consumption and costs?

- Easy access for consumers to consumption data and costs
- Frequent information for customers on their actual consumption
- Better knowledge of the market
- Incentivising customers to know how to regulate their own consumption
- A fully functioning competitive retail market which is customer-friendly by design
- Remove barriers to switching (e.g. contract cancellation fees, etc.)

3. ACER/CEER Annual Report concludes that consumers are dissatisfied with the information they receive in their contract and in their billing information. The report also shows the frequency with which consumers switch from one energy supplier to another. This varies between 0% to 14,8% in the EU Member States.

In your opinion, what are the key factors that influence switching rates? (multiple choice possible)

- ✓ Consumers are not aware of their switching rights
- ✓ Prices and tariffs are too difficult to compare due to a lack of tools and/or due to contractual conditions
- ✓ Switching offers insufficient benefits
- ✓ Complex switching procedures
- ✓ Loyalty to local, publicly owned suppliers
- ✓ Unfair commercial practices such as misleading branding and communication strategies applied by integrated DSO/retail suppliers
- ✓ Other

Please specify

Not all factors apply uniformly across Europe, due to the different national situations; for examples:

- Half of consumers are not aware of their switching rights in France, but almost all are aware in the United Kingdom and Belgium.
- Switching offers insufficient benefits in France (for electricity only) and Spain, but not in the UK or Belgium.
- In the UK, some energy customers show loyalty to particular suppliers.
- Many engaged customers (such as residential electric heating customers) may have already switched or re-negotiated their supply price with which they are happy; therefore, they may not be motivated to switch again.

4. Please indicate if you agree or disagree with the following statements concerning ways to increase consumers' interest in comparing offers and switching to a different energy supplier.

	Disagree	Neutral	Agree
a) Include standardised minimum information in commercial offers for easier comparison			X
b) Ensure the availability of web-based price comparison tools			X
c) Ensure consumers are aware of their rights			X
d) Develop further rights for consumers			X
e) There is no need to encourage switching	X		

4.1. Please feel free to develop further your choices about consumers and energy supplier

In a number of countries, developing consumer rights further is not a priority as they are already considered to be well developed. However, CEER agrees that more can be done on a European level with regard to point answer d).

5. With the implementation of related provisions in the Energy Efficiency Directive by December 2014, consumers can be billed on the basis of their actual energy consumption and have the right to access their actual and historical consumption data. Do you think that bills provide consumers with sufficient information about their consumption patterns?

No

5.1 Why does the bill for actual consumption not provide sufficient information?

- ✓ Because the bills are not sufficiently transparent and meaningful
- ✓ Because the bills showing actual consumption are sent too rarely (e.g. once a year)
- ✓ For other reasons

Please specify your reasons

Transparency should not be confused with “all the information should be in the bill”. Transparency does not always lead to relevant and understandable information for the customer. It is important to strike a balance between accuracy (in the information provided) and simplicity (so that the consumer can actually benefit from the information in the bill). Customers may be satisfied with a simple bill, but at the same time may have access to on-demand information on e.g. historic consumption through personalised webpages.

6. If you were able to receive more detailed information on your energy consumption, do you think this would affect your consumption patterns?

Yes

7. In your opinion, which of the following factors will be the main drivers of future developments in the retail market? (multiple choice possible)

- ✓ Smart meters and smart grids

- ✓ Energy poverty
- ✓ Data management

Please specify what other reasons:

While all the reasons indicated in the question are relevant, like security of supply (specific for gas) and the local autonomy, these are not the main drivers of future developments in the retail market. "Smart meters and smart grids" and "data management" are the most important ones from the customer perspective.

8. My reply to the previous question concerns the following Member State(s)

EU 28

II. MARKET DESIGN

9. In your opinion, is the level of competition in retail energy markets appropriate?
No, there is too little

Why do you think there is too little competition?

- ✓ Insufficient regulatory intervention
- ✓ Lack of interest by new suppliers
- ✓ Market dominance by a few market actors
- ✓ Regulation of consumer prices
- ✓ Unfavourable market conditions
- ✓ Ownership restrictions
- ✓ Other barriers to entry

Please specify other barriers to entry:

These reasons are very relevant across the EU, but the extent to which they apply in each country is very dependent on the specific national market conditions.

Other barriers to entry include:

- A lack of common standards for formatting of customer data and exchange of data (in some countries).
- A lack of consumer engagement is also relevant, although it is not a barrier to entry.

10. My reply to the previous question (9) concerns the following Member State(s)

EU28

11. Market functioning and the degree of competition are also determined by impartial operation of the networks and therefore by the independence of network operators from commercial retailers of energy. DSOs have a specific role in their key task of distributing energy. Some DSOs belong to vertically integrated companies that have departments selling energy and/or providing other types of commercial services in the retail market.

In your view should:

- ✓ The role of DSO be limited to balancing and distribution of energy through the grid?

12. In your opinion, which of the following task(s) should DSOs carry out? (Multiple choice possible)

- ✓ Data management
- ✓ Connection of new generation/capacity (e.g. solar panels)
- ✓ Other

Please specify:

To a certain extent, DSOs need to carry out some level of data management in order to operate the grid; however, for example for customer metering data, this is not the case. There is a need for a single European definition, although this is not true for customer metering data management. Multi-service issues should be considered; for example, data management is a task which could be carried out in a multi-service context (gas, electricity, water, heating). Furthermore, inter-relationships among different services also matter - DSOs of gas grids could need to balance their local grid in order to provide a flexible service to the electrical grid, providing energy storage to complement the intermittency of renewable electricity with injections of renewable natural gas or synthetic gas (produced through fuel cells, “power-to-gas”).

When discussing the role and tasks of DSOs, the existing large differences among Member States should be taken into account; in terms of DSO size, voltage levels involved in distribution, direct or indirect connection of distribution grids to the transmission grid, etc.

It would be advisable to harmonise at EU-level decisions regarding which activities are considered to be commercial and which are not.

“Balancing of the local grid” implies the supply of flexibility services, most of which have a competitive nature and could be provided by market actors within an open market framework. However, different flexibility services require different treatment, according to the size of the market and the characteristic of the resources (local, e.g. voltage – or global, i.e. frequency). It could be more efficient to offer some flexibility services on a competitive basis, whereas others might be simply provided in terms of regulatory obligations or minimum technical requirements.

In some specific cases, DSOs could carry out activities of public service obligation.

13. In your opinion, what are the requirements for DSOs to efficiently fulfil their tasks that you identified above? (Multiple choice possible)

- ✓ Good regulatory oversight
- ✓ Independence from supply activities
- ✓ Independence from political influence
- ✓ Clear definition of the roles of DSOs and TSOs
- ✓ Clear definition of the DSO's relationship with suppliers
- ✓ Clear definition of the DSO's relationship with consumers

15. The roles of market actors, including DSOs and energy service companies, with regard to distribution networks vary in the Member States. Should any of the following be defined at EU level?

	Yes	No	No opinion
a) Billing	X		
b) Data management		X	
c) Balancing of the local grid			X
d) Distributed generation			X
e) Demand response	X		
f) Connection of new generation/capacity (e.g. solar panels)	X		
g) Curtailment on the basis of a contract and against reward			X
h) Other			

Please specify which other roles:

In order to make progress with the EU-wide harmonisation of DSOs' roles, a range of solutions for DSO neutrality could be developed (like ISO, ITO, OU for TSOs)

16. In line with the spirit of existing legislation, the principle of the consumer owning his or her energy consumption data is promoted. Allowing other parties to have access to such consumption data in an appropriate and secure manner, subject to the consumer's explicit agreement, is a key enabler for the development of new energy services for consumers. The manager of energy consumption data must share the data with the market actors in a non-discriminatory and safe fashion.

Agree

17. In your view, which of the following entities should manage the consumption data flows? (Multiple choice possible)

- ✓ Consumer or a market actor designated by the consumer
- ✓ Entity independent from DSOs, ESCOs, suppliers and other market actors
- ✓ DSO
- ✓ ESCOs
- ✓ Telecommunication companies
- ✓ Data processing companies (e.g. Google, Spotify)
- ✓ Other

Please specify:

- These approaches can apply to different countries depending on the specific national circumstances.
- It is important that the creation of new services and new market players is not inhibited.
- When it comes to the data needed for the operation of the grid, the customer’s consent is not required. For other data, the consumer controls who has access to his/her data.

18. Network charges represent an important part of the final energy cost for households. The method of setting the DSO tariff is therefore as important for retail energy consumers' bills as the level of competition and transparency in the prices of the energy commodity. The DSO tariffs are regulated nationally and different models are applied in individual Member States. Provisions in Directive 2009/72/EC (Art. 25.6) require tariffs to be non-discriminatory, cost-reflective and to be published. These tariffs are of key importance in measuring the efficiency of DSOs (see background document).

Against this background, please indicate to what extent you agree with the following statements.

	Disagree	Neutral	Agree
a) The tariffs should be time-differentiated to enable demand response			
b) The tariffs should be measurable			X
c) The cost breakdown of tariffs should be transparent			
d) The methodology to calculate the tariffs should be transparent			X
e) The tariffs should be favourable for distributed generation	X		
f) The principles to determine network tariffs should be the same for both distribution and transmission to avoid distortion			X
g) European wide principles for setting distribution network tariffs are needed			X

19. Internal Energy Market legislation foresees that Member States designate DSOs for a period of time to be determined by them and having regard to efficiency and economic balance. In this context the operation of distribution networks may be measured against cost efficiency, long-term sustainability and consumer interest. In Member States where the DSOs do not own the network; the awarding of concession to operate distribution networks varies but must be governed by the principle of non-discrimination and public procurement legislation.

If applicable, do you view the procedure for awarding concessions for gas and electricity distribution in your country as adequate?

No opinion

22. Does the NRA in your country (in your view) have sufficient resources to fulfil its role?

No

III. DEMAND-SIDE PARTICIPATION AND SMART USE OF ENERGY

23. Advances in innovation have enabled a broad range of distributed generation and demand response technologies for industrial, commercial (including small businesses) and residential consumers to control their consumption and to help balance the grid while decreasing dependency on energy supply from other sources. Energy efficiency, demand response, self-generation, auto-consumption and local storage go hand-in-hand in this respect.

Do you think that consumers have the information they need to use energy more efficiently?

No

23.1 To which extent could the availability of such information be improved through the following sources?

	Not at all	A little	A lot	No opinion
a) Real-time data through metering equipment		X		
b) Historical data graphics or graphics that compare similar household consumption patterns		X		
c) In-home displays visualising metering information		X		
d) More frequent and informative billing			X	

24. Are there other information sources that could improve energy efficient behaviour? Please specify.

The source of information is not the key issue for changing the customer's behaviour, but automation (home automation) is.

25. Energy service companies (ESCOs) are businesses that design and implement integrated energy solutions, including energy supply, energy conservation and financing. They can facilitate favourable contractual arrangements for consumers and provide information that can be used by consumers to achieve better prices (e.g. in demand response programmes). Energy services - specifically in the context of energy efficiency - are services that can deliver measurable energy efficiency improvements on the basis of a contract between energy service providers and consumers. They can also help finance initially high investment costs against the cost benefits over time (e.g. through contracting).

Do you think there is sufficient choice of energy efficiency services in your country?

No

26. Is it easy for energy service companies to start operating in your country?

No opinion

27. Do you think that more should be done to support the establishment of ESCOs that are active in the field of energy efficiency?

Yes

27.1. To what extent do you think the following could increase interest in energy efficiency services in your country?

	Not at all	A little	Neutral	To some extent	Very good
a) Public databases of companies offering energy efficiency services				X	
b) Central information points and intermediaries to facilitate contracting arrangements					X
c) An independent facility (such as an ombudsman) to settle disputes and complaints between consumers and ESCOs				X	

30. Regarding the participation of end-consumers in demand response, who should offer demand response services to residential consumers and SMEs? (Multiple choice possible)

- ✓ Supplier
- ✓ Aggregators

31. Who should offer dynamic pricing to residential consumers and SMEs? (Multiple choice possible)

- ✓ Supplier
- ✓ Aggregators

32. If there is little or no dynamic pricing in your country, what are the barriers? (Multiple choice possible)

- ✓ Technical standards
- ✓ Regulatory barriers
- ✓ Unclear legal framework
- ✓ Unclear benefits
- ✓ Other

Please specify:

It could be a combination of all of these barriers, because any of them could be relevant in some countries.

Although dependent on the individual national case, some identified barriers are:

- Lack of consumer trust
- Lack of consumer interest
- Risk for consumers

CEER is looking into detail at dynamic pricing for network charges.

33. Regarding the participation of consumers in balancing markets, to which extent do you agree with the following statements?

	Disagree	Neutral	Agree
a) The load (demand capacity) that can be adapted by the consumer upon request should be measured at aggregated level		X	
b) Consumers should be able to enter aggregation programmes regardless of the size of their load		X	
c) On-site qualification tests for demand-side units should be carried out at an aggregated level			X
d) Consumers should be able to participate in the primary balancing market		X	
e) Network operators should be obliged to offer products, services and contracts which match the characteristics of flexibility that residential and small industrial/commercial consumers can typically provide (i.e. smaller loads for limited time)	X		
f) The full activation time within which primary reserve capacities must be provided should be sufficiently long for the demand side to prepare and react	X		
g) The minimum duration of the requested adaptation of the demand should be kept within limits that are acceptable for consumers (for example maximum 15 minutes)	X		

33.1. The time within which primary reserve capacities must be fully activated should be:

- ✓ No opinion

33.2. The minimum duration for which the adaptation of demand is offered at the balancing market should be

- ✓ No opinion

33.3. Further comments

We do not consider that the NRA should determine how demand side participates in the balancing mechanism. It is appropriate to leave the TSO to consider how to most efficiently procure balancing services, including demand side services, to meet the needs of the grid. Unnecessary barriers for demand should be removed and demand should be treated equally (assuming the necessary technical abilities are in place.)

There is no need to force small consumers' participation or to jeopardise system security by relaxing balancing activation time. Legislation for aggregators of consumers' loads is not developed yet.

34. Aggregators cluster consumer loads and market them at wholesale level. Regarding the role of aggregators in your country, to which extent do you agree with the following statements?

	Disagree	Neutral	Agree
a) Aggregators have full access to the market		X	
b) Aggregators appear today as active players in the energy market			X
c) Suppliers should be allowed to act as aggregators		X	
d) Member States should incentivise aggregators	X		

35. Regarding consumer engagement in demand response programmes, to which extent do you agree with the following statements:

	Disagree	Neutral	Agree
a) A large number of consumers would engage in demand response programmes if they were offered simple services and hassle-free technical solutions			X
b) Only very specific consumer segments (like young people and people without children) would engage in demand response programmes	X		
c) Overall few consumers would engage in demand response programmes	X		

36. Metering systems able to measure and display energy consumption in short intervals (even every 15 minutes) are an important element for consumers to control their consumption and participate in flexibility services (demand response). Accessibility and cost of these systems depend on modern meters which are necessary for commercial arrangements set by the grid operators and non-regulated market actors to integrate there services in the grid.

Should a consumer have the right to:

	Yes	No	Do not know/ no opinion
a) Have a smart meter installed on his own request and at his expense even if smart meters are not rolled out systematically in his area?	X		
b) Have a smart meter with functionalities of his own choice even if a different type is rolled out in his area?		X	

37. Smart appliances (i.e. heating devices, air conditioners, dishwashers etc. capable of adapting to price/network signals) and/or smart energy management systems could help shift consumption to low price periods or to network off-peak times according to user preferences. Energy management systems can, in addition, factor in parameters like weather conditions and light intensity. Home automation systems thus help reduce energy costs for consumers.

Regarding smart appliances and energy management systems, do you agree with the following statements?

	Disagree	Neutral	Agree
a) Smart appliances and/or smart energy management systems are a precondition to make the field of demand response accessible to a broad range of consumers			X
b) Smart appliances and/or smart energy management systems are a facilitator to make the field of demand response accessible to a broad range of consumers			X
c) Smart appliances should also display information on consumption and consumption patterns	X		
e) Smart appliances and/or energy management systems, if correctly set up, will not mean a reduction of user comfort			X

38. The Energy Performance of Buildings Directive lays down that all new buildings will have to be nearly-zero energy buildings by 2020. This means that buildings will have to be very energy-efficient while covering the low remaining energy need for heating and cooling with renewable energy produced on site or nearby. In line with the Renewable Energy Directive, consumers can decide to generate renewable energy without having to face disproportionate permitting and grid connection procedures. When combining energy management systems and smart appliances with self-production, consumers can achieve greater energy autonomy.

Do you think that it is sufficiently easy for a consumer to install and connect renewable energy generation or micro-CHP equipment in their house?

No opinion

41. Regarding self-generation and auto-consumption, do you agree with the following statements?

	Disagree	Neutral	Agree
a) Self-generation and auto-consumption reduces the need for generation and network capacity for society as a whole and should therefore be exempt from additional charges	X		
b) Self-generators/auto-consumers should contribute to the network costs even if they use the network in a limited way			X
c) The further deployment of self-generation with auto-consumption requires a common approach as far as the contribution to network costs is concerned		X	
d) The further deployment of self-generation with auto-consumption requires a common approach for the simplification of related administrative procedures		X	
e) Member States should give more financial incentives for promoting self-generation and auto-consumption of heat from renewable energy sources and micro-CHP	X		

42. Do you agree or disagree with the following statements?

	Disagree	Neutral	Agree
a) There should be incentives for electrical heating appliances that are demand response-ready	X		
b) There should only be incentives for electrical heating that is demand response-ready if the underlying technology is very energy efficient (e.g. heat pumps)		X	
c) Member States should give more financial incentives for the purchase of highly efficient heating technologies, irrespective of the fuel	X		