

ACER



Agency for the Cooperation
of Energy Regulators

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Energy Regulators



Citizens' Energy Forum

ACER-CEER Annual Electricity and Gas Market Monitoring Report 2012

Fostering energy markets,
empowering **consumers**.

Christina Veigl-Guthann - Member of Customer and Retail Markets WG
London, 16 December 2013

2nd ACER-CEER Monitoring Report

- Joint work of ACER and CEER
- Based on
 - ▶ publicly available information
 - ▶ information provided by NRAs on a voluntary basis
- Content
 - ▶ Electricity sector
 - Retail markets
 - Wholesale markets and network access
 - ▶ Gas sector
 - Retail markets
 - Wholesale markets and network access
 - ▶ Consumer empowerment and protection



Outline of this presentation

- Consumer empowerment and protection
- Retail markets
- Recommendations



Consumer Empowerment and Protection

- Compliance with 3rd Package provisions
 - ▶ Strengthening consumer rights to benefit households who are the weakest players in the market
- Complaint data
- Smart meter roll-out
- 5 elements of consumer empowerment and protection
 - ▶ Universal service
 - ▶ Supplier switching
 - ▶ Vulnerable consumers' protection
 - ▶ Information requirements
 - ▶ Alternative dispute resolution mechanisms



Universal Service

- **3rd Package:**
 - ▶ Right to be connected to the **electricity** grid and to be supplied with electricity of a specified quality at reasonable, easily and clearly comparable, transparent and non-discriminatory prices; (does not apply for gas)
- **Supplier of last resort might be one option:**
 - ▶ Definitions and conditions applied **vary widely** e.g.:
 - If a supplier goes bankrupt
 - If a customer cannot find a supplier on the market
 - For vulnerable customers only etc.
 - ▶ Electricity: 24 countries
 - ▶ Gas: 21 countries



Supplier Switching

- Enables **customers** to play an **active role** in the market and exercise choice
- Three week period for switching
 - ▶ Electricity: 23 countries
 - ▶ Gas: 18 countries

- Final closure account
 - ▶ 6 weeks after switching
 - ▶ Electricity: 20 countries
 - ▶ Gas: 21 countries



Vulnerable Consumers' Protection

- Member States have to define the **concept** of vulnerable customers
 - ▶ 18 countries answered that they have such a defined concept for electricity
 - ▶ 15 countries for gas
- **BUT: very diverse picture**
 - ▶ This issue might be dealt with in energy legislation, social legislation or a combination of both
 - ▶ Bundle of measures: some call this a definition, some don't
 - Financial measures and “other” measures:
 - Social tariffs in several countries
 - Prohibition of disconnection during winter in some countries
 - Clear procedure before disconnection is possible
 - ▶ Number of vulnerable customers: also broad variety
 - In some MS numbers are not available at all
 - E.g. in the Slovak Republic, **all** electricity and gas household customers are v.c.

Information requirements

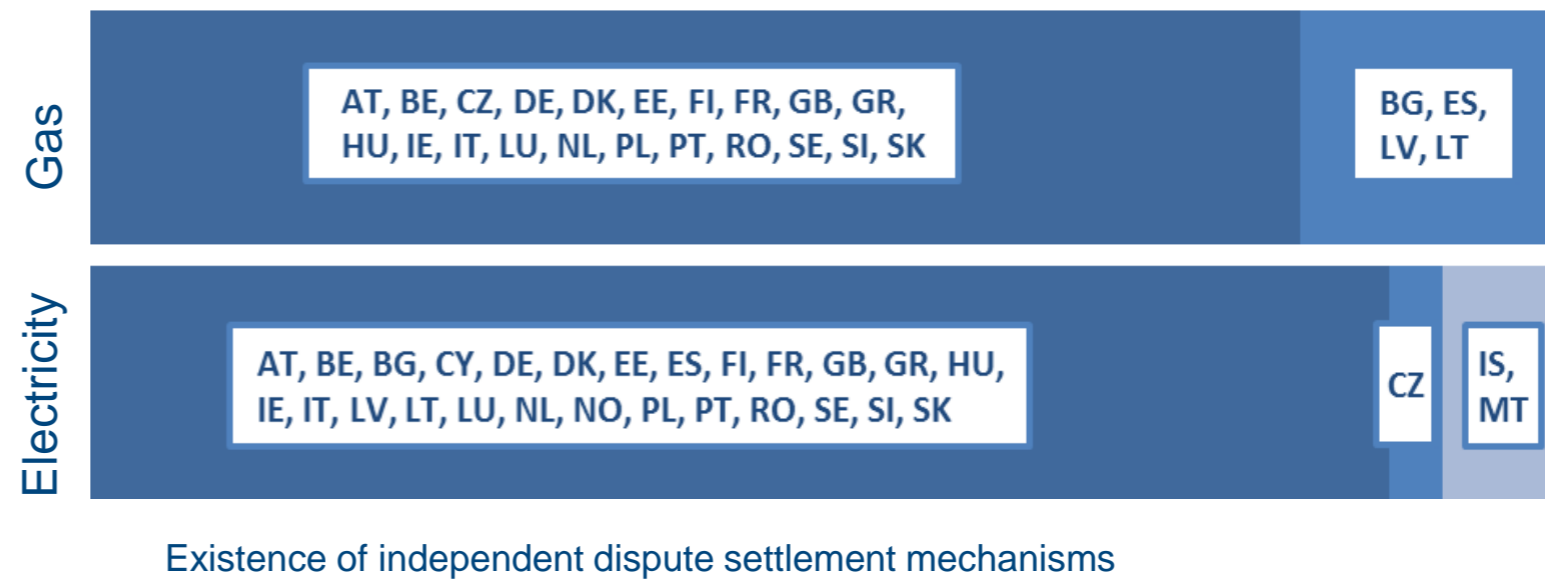
Information is an essential element of **customer protection**

- **Single point of contact**
 - ▶ 23 in electricity and 22 in gas
- **Information on contractual changes: e.g. price increase**
 - ▶ 26 electricity, 24 gas (minimum notice periods: from no requirement at all up to 30 or 90 days ahead)
 - ▶ Possibility to withdraw in this case: 100%
- **Choice of payment method**
 - ▶ 100%
- **Information on actual consumption and costs**
 - ▶ “Frequently enough to enable customers to regulate their consumption” - Very subjective what “**frequently enough**” means – numbers could be discussed!
 - ▶ Electricity: 24
 - ▶ Gas: 18
- **Fuel mix and environmental impact (electricity only)**
 - ▶ Fuel mix (on bills and promotional material) and environmental impact: 23 countries

Alternative dispute resolution mechanisms

- ADR boards

- ▶ Aimed at resolving conflicts through rapid and straightforward procedures
- ▶ Electricity: 26
- ▶ Gas: 21



- Who is in charge:

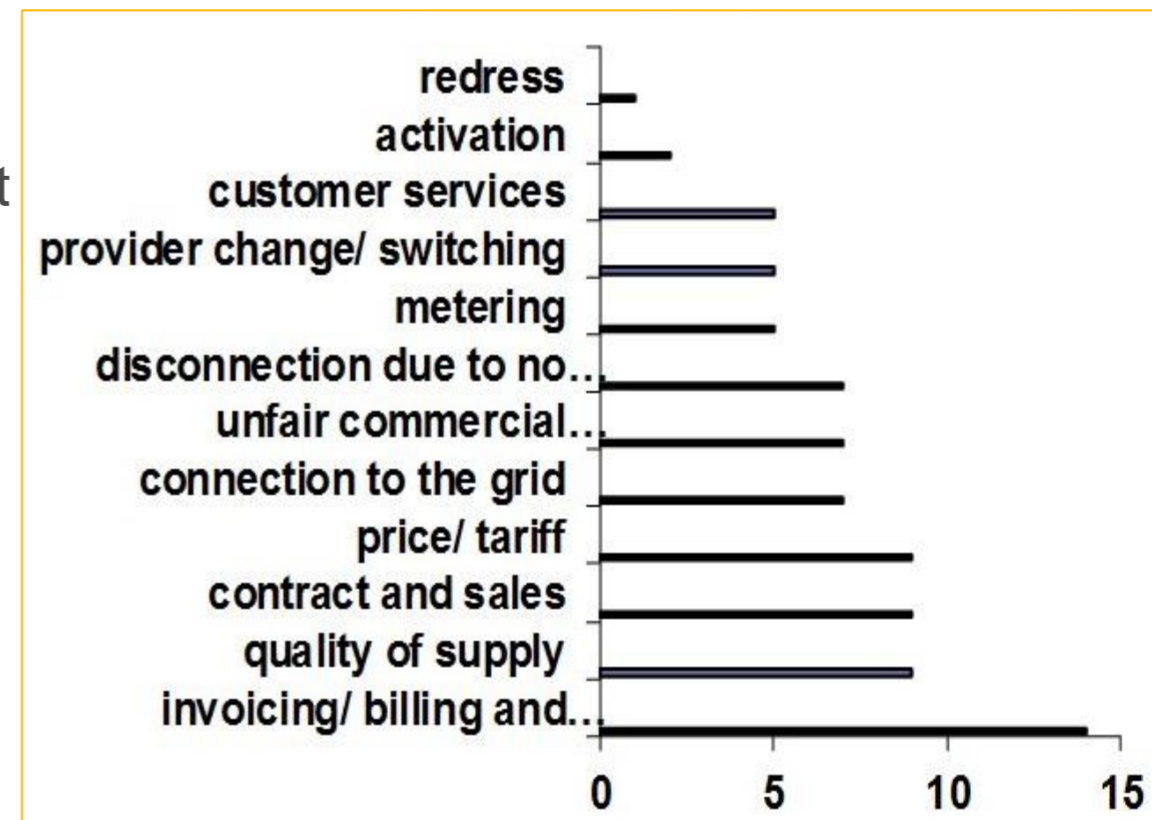
- ▶ NRAs
- ▶ Consumer associations
- ▶ Advisory bodies
- ▶ Not necessarily an institution specific to energy

- Yes
- No
- No answer

Customer Complaints

- 3rd package
 - ▶ Effective means of dispute settlement for all customers is necessary
 - ▶ Speedy and effective complaint handling procedures
 - ▶ Monitoring of customer complaints
- Methodological differences in data collection – no comparability
 - ▶ Complaints at the NRA (e.g. NRA is single point of contact)
 - ▶ Complaints reported to NRAs (monitoring)
- Numbers are rising
 - ▶ Possibly due to higher consumer engagement
 - ▶ More information on complaint possibilities
 - ▶ Signal of market malfunctioning
 - ▶ Careful analysis per MS necessary

- More work is needed to improve comparability and analysis of complaints data
- BUT: there is a clear limit to comparability



Smart Meter Roll-out Electricity and Gas

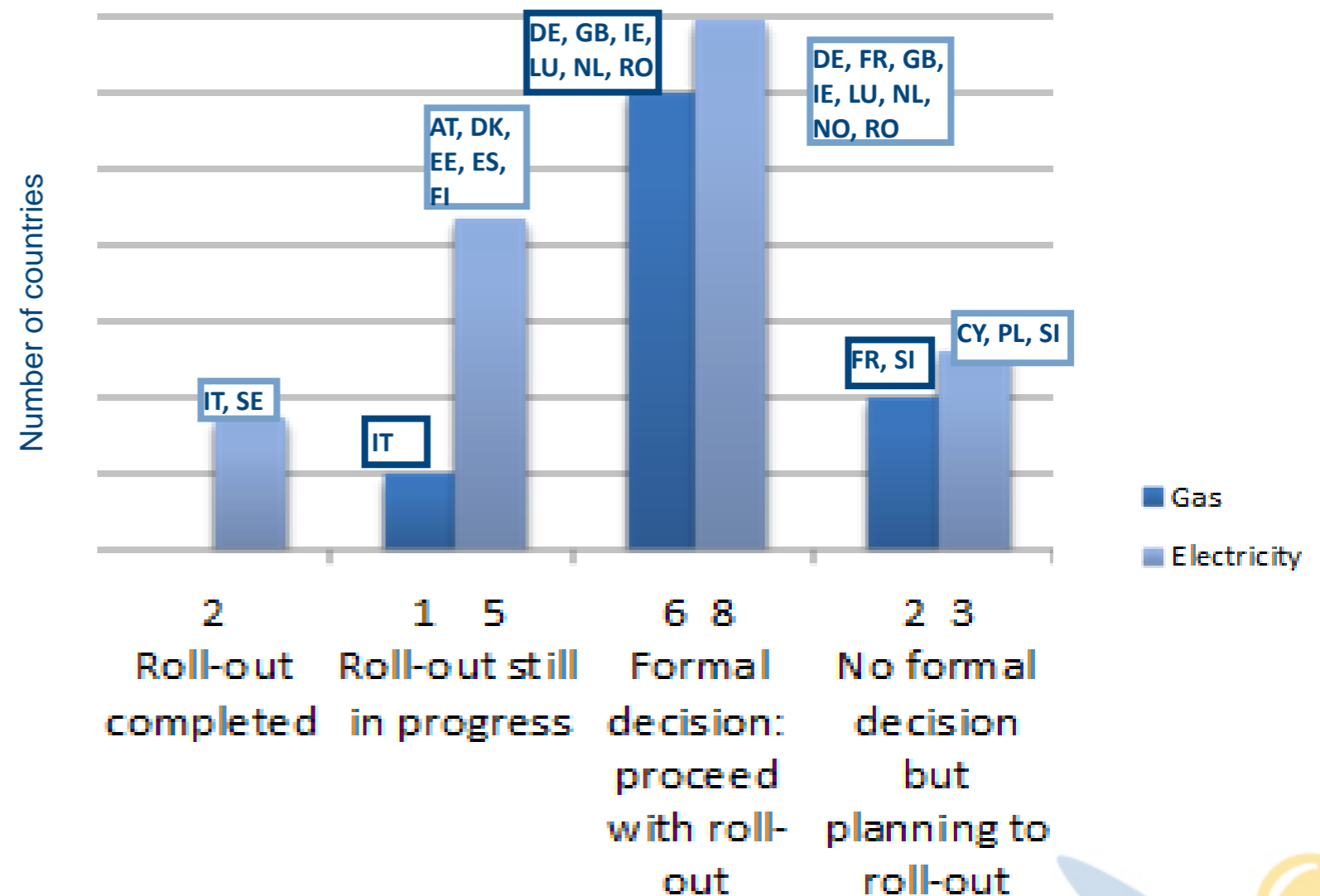
(Legislative deadline for electricity meters
2020; no deadline for gas meters)

Rollouts:

- ▶ Completed roll-outs: Sweden (100%), Italy (95%)
- ▶ Finland: 80%
- ▶ Roll-out ongoing/plan to rollout: 15 (11: 95% target or more, 3: 80% target, 1: 15% target)

GAS:

- ▶ Rollout: only Italy
- ▶ 7 MS: plans for roll-outs

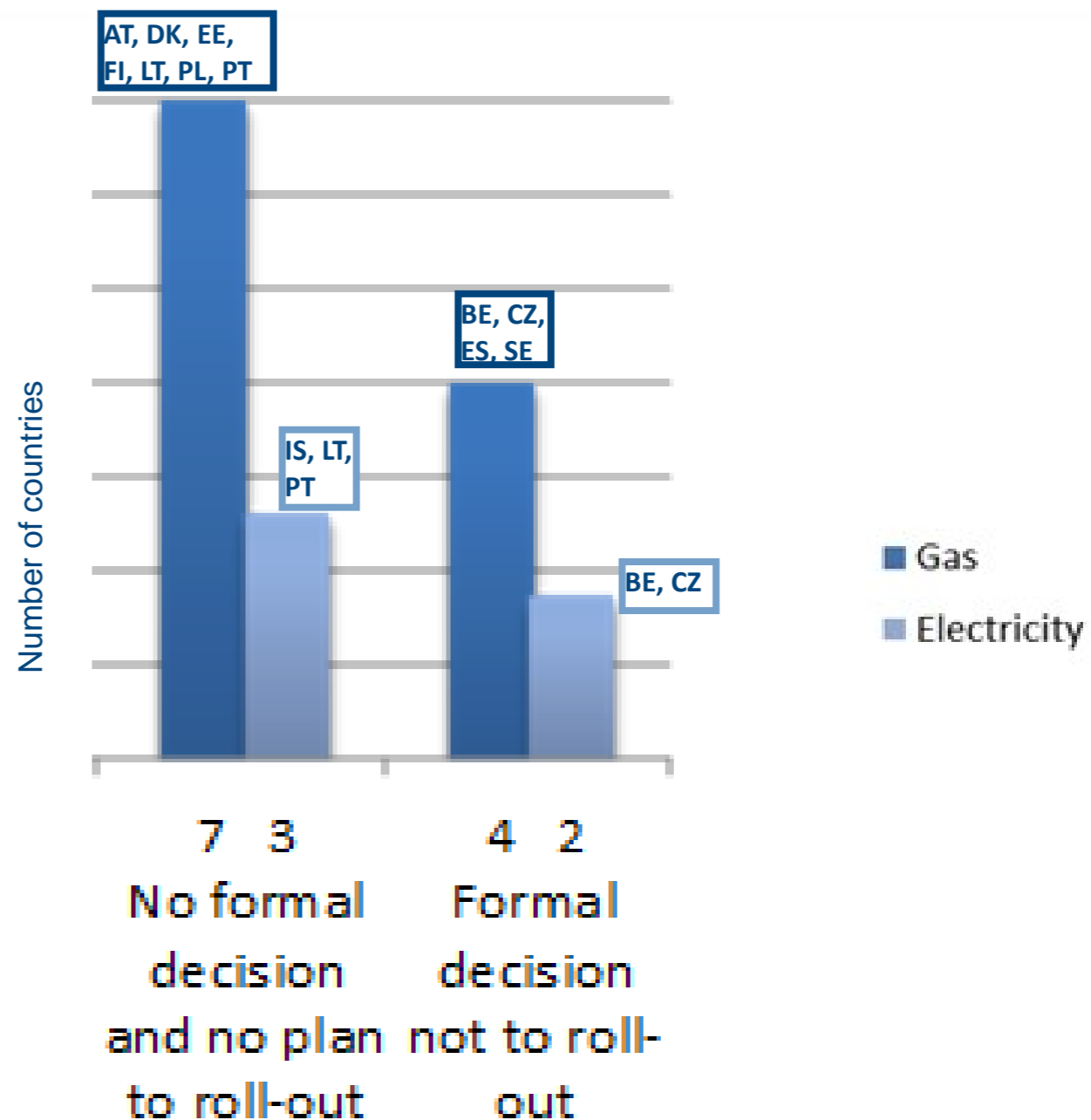


Smart Meter Roll-out Electricity and Gas

(Legislative deadline for electricity meters
2020; no deadline for gas meters)

No rollout yet:

- ▶ Formal or legal decision yes/no
- ▶ No formal decision yet but plan/do not plan to rollout



Conclusions Consumer Empowerment and Protection

- Some disparity how **consumer-related provisions** of the 3rd Package are applied across MS
- Not all MS have a specific definition of a '**vulnerable consumer**' and measures to protect them may vary
- Level of compliance with the **consumer information requirements** of the Third Package is very high across MS
- Most MS have **independent dispute settlement mechanisms** in place (20 in gas and 25 in electricity) either specific to energy consumers or multi-sector
- Lack of harmonisation on how **complaint data** are collected makes comparison difficult. Improvements needed in managing and analysing complaints data
- **Smart metering** systems are being (or will be) rolled out in more than half the MS

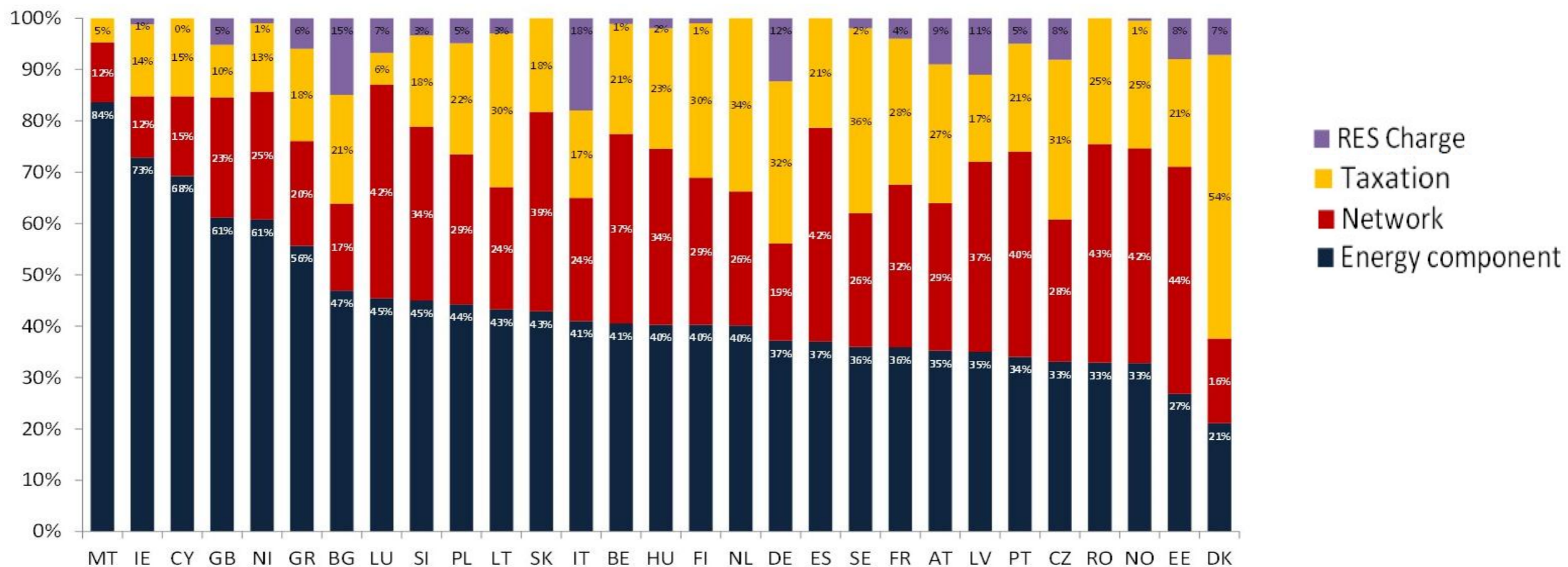
Key findings retail markets

- Household customers experience increasing energy prices
- Industrial consumers benefitted more from the positive elements of liberalised retail markets
 - ▶ Price increase for household customers was higher than the one for industrial consumers → reflects different levels of competition and market maturity
- Price Breakdown electricity prices
 - ▶ Big differences in price setting regarding energy component, network tariffs and taxes – and renewable energy resources' (RES) charges for electricity
 - ▶ Electricity component: only in 7 out of 29 countries it is more than half of consumer bill – from 84% (Malta) to 21% (Denmark)
 - ▶ RES charge may appear in different parts of the bill: scope to improve the transparency on the reporting of support for RES in energy bills for consumers
 - ▶ Non-contestable components have significantly increased in many MS



Price breakdown - electricity

- ▶ Significant heterogeneity in price setting – wide differences in national energy policies
- ▶ Electricity bill is made up significantly of charges not linked to supply of electricity



Source: ACER retail database (2013)¹¹

Household Post-tax Total Price (POTP) breakdown as of Dec. 2012 based on the incumbent standard offer in the capital cities of EU 27 + Norway

Barriers to entry persist (I)

- Consumer switching behaviour

- ▶ Very **different levels** of switching rates, in general, they are still quite **low**:
- ▶ Electricity: 6 countries over 10%, 8 countries over 5%, 15 countries less than 5%
- ▶ Highest rates: Belgium 14,8%, Portugal 13,2%, Norway 13%, The Netherlands 12,6%, Great Britain 12,1%
- ▶ Loyalty to local, publicly-owned suppliers
- ▶ Switching perceived to be complex, risky and time-consuming
- ▶ Lack of awareness
- ▶ Regulated prices

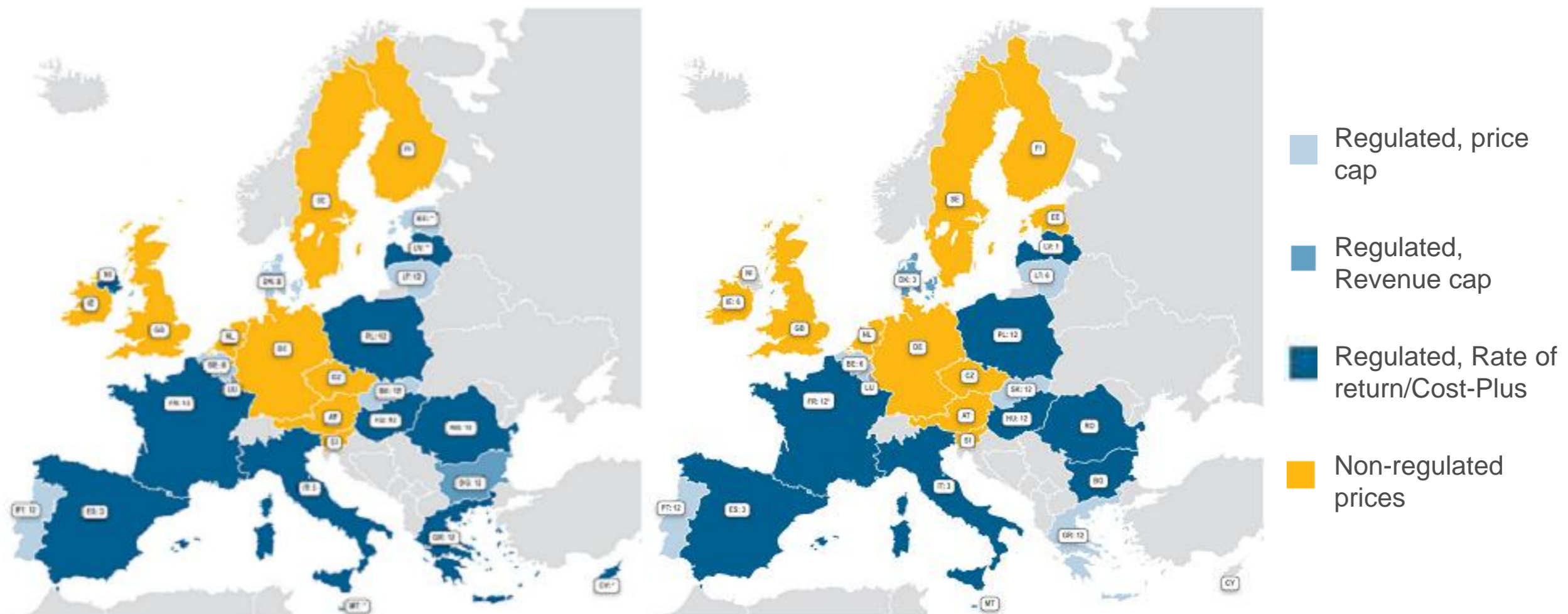
- Retail price regulation

- ▶ If set below costs they act as barrier to entry
- ▶ Tends to disengage consumers from switching
- ▶ Electricity price regulation: 18 MS households, 13 for SMEs, 5 for industry
- ▶ Almost half of EU households on regulated prices



Regulated Prices for Household Customers

- End-user price regulation still heavily present:
 - ▶ 49% of households are supplied under regulated electricity prices
 - ▶ 46% of households under regulated gas prices



Source: CEER national indicators database and ACER questionnaire on regulated prices (2013)

Barriers to entry persist (II)

- Regulatory framework
 - ▶ Different regulation and legislation regimes
 - ▶ E.g. Complex licensing, non-accredited licenses across countries
- Lack of full unbundling
 - ▶ In many MS insufficient and still ongoing
 - ▶ Rebranding of DSOs is main outstanding issue



Conclusions Retail Markets

- Retail electricity and gas **prices increased** in most countries
- Substantial **differences of price levels** persist
- Significant **heterogeneity in price setting** - differences in national energy policies
- Electricity bill is made up significantly of **charges not linked to supply** of electricity
- **Switching rates remain low** in many countries despite significant savings potential
- **Majority of countries apply regulated prices** to household customers, low switching rates especially in these countries

Recommendations

- **Full enforcement of consumer rights**: Not only the legal implementation of 3rd Package provisions is relevant but the practical implementation from a customers point of view
- **NRAs should play an active role** in enforcing the 3rd Package and raising consumer awareness in terms of switching possibilities
- Remove barriers to **switching**
- **Increased transparency** of all components of the total price is needed, in order to enhance consumer awareness and foster competition
- **Regulated end-user prices**, if set below expected entry cost, can suppress competition. Retail price regulation should be lifted as soon as a sufficient degree of competition is achieved



Thank you for your kind attention

[Visit: ACER/CEER Annual Report on the Results of Monitoring the Internal Electricity and Natural Gas Markets in 2012](#)

