



The Consumer Voice in Europe

# CEER discussion paper on 2020 vision for Europe's energy customers

BEUC response

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The European Consumer Organisation (BEUC) warmly welcomes CEER's initiative to build a 2020 Vision Paper for Europe's energy customers and all efforts aimed at ensuring that this vision takes into account what is and will be most important for European consumers in the coming years. We encourage CEER to put into place the necessary steps that will turn the Vision Paper into concrete policy measures.

What follows is more specific feedback to the questions that CEER outlines in the 2020 Vision Paper.

## **1. What do customers want from the energy market – and what are their priorities?**

We agree with the key principles (affordability, reliability, simplicity, protection and empowerment) as identified in the CEER vision paper. After multiple legislative attempts to create the conditions for an internal market for energy and liberalise this sector, in practice we observe that liberalisation has not delivered on the expected benefits it was supposed to bring to European consumers.

It has always been a widespread preconception that the liberalisation of energy markets would bring more competition, lower prices and better information on energy products in general to consumers. However, we have so far observed that in countries where liberalisation processes are more advanced, this has not necessarily been matched with more competition and lower prices, but often has made the market more complex and unclear for consumers. As a result, consumers are still not sufficiently equipped to deal with often over-complicated and non-transparent energy markets, let alone poor quality of information they oftentimes receive from their energy providers (e.g. on bills, price evolution or information helping them to be more energy efficient).

### What do consumers need?

- A reliable supply of energy;
- Clear, understandable and accurate bills as well as overall clear information from their energy provider;
- Simple pricing/tariffs that are easily understood and compared on a like for like basis, in particular through reliable price comparison websites;
- Easy and fast switching procedures;
- Affordable energy, especially for those who are vulnerable;
- Better protection of vulnerable consumers and low income households;
- Greater transparency in the wholesale and retail markets to provide accountability where prices are increased;
- A range of payment methods so that consumers can select according to their needs - access to product/service choices should be solely dictated by consumers' payment preferences;
- Energy efficiency market, standards and mechanisms to ensure that claims are verified, quality products and services are delivered and consumers are protected against green washing;
- Information and advice on energy issues to be accessible for all consumers, also those in vulnerable situations such as those with disabilities, chronically ill, without access to the internet, in rural areas, etc;
- Effective complaint handling and redress mechanisms as well as an independent ADR in place;

- Clear commitments, monitoring and enforcement of these commitments as to what benefits will be delivered with regard to the investments to upgrade the infrastructure and the roll-out of new smart technologies.

## **2. What are the future changes – challenges and opportunities – that customers will face?**

New technologies like smart meters, varying user interfaces, new appliances and home automation in general will offer a larger choice of energy related products and services as well as more information for consumers, yet the benefits for consumers are not guaranteed. It all depends on how these new technologies will be presented and used by consumers, how changes in energy products and services will be communicated to them and if there is any interest (financial, environmental, and social) from the consumer's side.

Firstly, the energy market needs to be manageable for consumers. Current retail markets are already quite complex, mainly due to the number of different offers on the market and the lack of comparability among them. In the future, the market may become even more complex and challenging for consumers, with developments such as smart technologies, the introduction of new multi-rate Time of Use Tariffs, Efficiency-Services, micro-generation and the like.

Secondly, there needs to be transparency and accountability for consumers from smart energy systems. The identification of these benefits should comprise detailed cost benefit analysis of the impact on the different types of consumers. In our view, consumers should however always have a choice to decide if s/he wants a smart meter in her/his home and if so, there should not be any barriers to switching energy providers. Moreover, when smart meters are installed, consumers should have the right to accurate bills and should receive more personalised information and advice about how to use and benefit from smart meters. They should also have free access to their consumption data in an appropriate format and frequency. It is also essential to ensure that security and privacy are maximized and protected.

Thirdly, some consumers will also be interested in becoming producers of energy. Although microgeneration will play an important role in future energy markets, there are still multiple barriers in many countries, such as financial (high upfront costs, inability to afford the installation costs, a long payback period), lack of knowledge about suitable technologies, and lack of awareness of the financial support available.

Fourthly, the potential of demand response needs to be further analysed. There is still lack of consumer experience with direct load control of appliances and demand response and related tariff schemes, therefore proper information to consumers on what are the conditions when participating in any demand response programme is needed. Furthermore, as only a part of consumption can be shifted and overall benefits for consumers are not clear yet, demand response should always remain a choice for consumers.

Fifthly, cooling and ventilation will become more important due to improved energy efficiency through insulation, and due to the changing climate. Good design needs to incorporate fabric to minimise the financial and environmental

costs of using air-conditioning to keep homes cool and avert the health risks of overheated homes.

Finally, energy markets, encouraged by Government policy, will increasingly provide energy services to consumers: energy supply and demand measures offered as a package. It is important that consumer protection is built into this emerging market. Low income consumers should ideally receive energy demand measures free, for example through public funded programmes. It is important they are not sold demand measures as part of energy service packages.

**2. How should these be addressed? What good and bad practices already exist in your region that can be shared? Do you have novel ideas on how to address these issues going forward?**

Market monitoring and enforcement of existing legislation

There are important consumer related provisions in the EU's legislation on electricity and gas markets which need to be properly implemented. Moreover, although consumer protection laws are in place, there are still gaps between enforcement activities of consumer protection authorities and energy National Regulatory Authorities (NRAs). This implies that NRAs need to have the resources and plan to prioritize consumer protection. Last but not least, further regulatory interventions should be considered if needed.

Single point(s) of contact

Particularly in view of the current challenges for the modernisation, harmonisation and sustainability of the energy market, a one-stop-shop/ coordinated framework is required for consumer advice on energy retail markets and energy efficiency.

Testing of consumer behaviour

Testing consumers' behaviour and their reactions on new products and services can provide significant insight as to how consumers can engage with novelties. Such testing will also facilitate the design of personalised energy services as well as the creation of results-driven policies in general. Following the introduction of new product/service, proactive market monitoring is required to ensure any emerging problems are identified as early as possible.

National strategies for smart meter roll-out

If smart meters are implemented, Member States should develop national communications/social marketing campaigns to help promote behavioural change and consumer engagement with a view of maximising consumer benefits from smart metering. Consumers should not receive a smart meter without proper information on how they can significantly benefit from it.

### Fair contract rules

Fair contract rules for new products and services are needed so that consumers are not locked in long-term contracts (for instance, when the supplier offers a display to be connected to the smart meter or energy efficiency package) and can decide themselves for what kind of products and services they will give away their data.

### Looking at consumer behaviour and needs

It is important to bear in mind that the 'average' consumer does not exist, especially not in energy markets: consumers have different needs, interests and expectations and therefore different consumer groups should be approached differently, according to their common characteristics. The timing of behavioural interventions is also crucial as consumers are only open to change when they are looking for options.<sup>1</sup> Moreover, education related to the energy market, its structure as well as energy efficiency measures play a key role in the process of behavioural change. There should be a clear vision supported by a national strategy in all Member States, whilst enabling and incentivising specific targeted campaigns at the local level.

### Actions to promote sustainable choices

A range of initiatives is needed to *exemplify*, *engage*, *enable* and *encourage* action. It is not enough to address financial barriers through subsidies or other financial measures. Non-financial barriers such as lack of familiarity and confidence in the energy and building sectors must be tackled.

- *Exemplify*: the Government needs to lead by example in demonstrating the importance of considering sustainable development, and encourage early adopters: people learn from the example set by others – from friends, family and neighbours.
- *Engage*: strategies will work best if individuals are involved at an early stage. Remote messages from the Government are not always the best way to do this, face-to face contact is often considered more appropriate.
- *Enable*: provide people with education, skills and information; and make sustainable choices easier with choice editing, accessible alternatives and suitable infrastructure.
- *Encourage*: the Government can encourage and, where necessary, enforce behaviour (e.g. through price signals, peer pressure, funding, or regulation).

### Protection of vulnerable consumers

Special attention should be paid to vulnerable consumers and low income households and the circumstances and conditions that lead to vulnerability in the energy sector need to be better understood. It should be analysed if these consumer groups are sufficiently protected as well as how they will be affected and if they can benefit from the implementation of smart technologies. In addition, stronger protections are needed for vulnerable consumers in terms of remote switching and disconnection.

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<sup>1</sup> Triggers for action on energy efficiency are practical changes such as house moves or renovations, or changes in heating systems; or life events which prompt consideration of how a home is used, such as having children, children leaving home, retirement etc.

#### Future challenges

Low carbon energy markets will require substantial investment in new infrastructure. Addressing the impact of these costs on low income consumers requires measures both internal and external to energy policy.

Moreover, low carbon and social policy costs should be recovered in the least regressive manner. In the first instance costs should be recovered through public expenditure, rather than consumer levies. Where levies are raised through bills, these should be based on consumption, providing that mitigation measures are put in place to protect the small minority of low income consumers with high levels of consumption.

Last but not least, enabling the deployment of decentralised and community level energy systems can deliver more affordable energy for households, particularly with respect to heat.

### **3. Are the concrete actions we envisage adequate to facilitate discussion and awareness of the development of EU energy policy? What other initiatives could be helpful?**

The steps as presented in CEER's vision paper (with regard to the action plan) seem to be an appropriate way forward. However, other actions to incentivise and intensify discussions between the national regulators and consumer bodies are necessary.

The role of NRAs, led by CEER, should be to focus on ensuring that liberalisation processes across Europe truly deliver for consumers.

Firstly, by ensuring and improving a level of competition that will guarantee affordable energy prices for everyone.

Secondly, by setting out the right regulatory measures to allow for new technological developments such as smart metering to bring about real benefits for consumers.

Thirdly, by guaranteeing non-discriminatory market access to competing suppliers in order to foster competition, all the while working towards building simple, understandable retail markets for consumers.

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