

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

A EURELECTRIC response paper



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▶ Growth, added-value, efficiency

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▶ Commitment, innovation, pro-activeness

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▶ Transparency, ethics, accountability

EURELECTRIC response to CEER discussion paper on a 2020 vision for Europe's energy customers

WG Retail Markets

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Introduction

EURELECTRIC welcomes the initiative by CEER of developing a 2020 vision for Europe's energy customers. We believe it is indeed crucial for regulators, consumer associations and market parties alike to continually deepen their understanding of current customer needs and to anticipate new or changing needs or conditions affecting customers and service providers.

Consumers are at the very heart of energy retail markets. On the one hand, the liberalisation of the energy sector was undertaken to create an internal market with competitive prices, better services and improved security of supply to their benefit. On the other hand, active and empowered customers are crucial to Europe's energy system as they can help address a number of new challenges such as the integration of an increasing amount of variable renewable energy sources (RES) into the power system.

Following the Third Energy Package, national regulatory authorities (NRAs) have been given additional responsibilities in the area of consumer protection and empowerment. Similarly, the industry has a crucial role to play in designing products and offers that respond to customers' needs. We thus welcome the open approach chosen by CEER to involve all interested parties – regulators, consumer associations and service providers – in defining a strategy to better understand the needs of energy customers and make sure that consumers can actively engage with and benefit from the market.

Key principles

As pointed out in the CEER discussion paper, customers are not a homogeneous group. They have different needs, attitudes and behaviours. Nevertheless EURELECTRIC believes that principles such as competitive prices, reliability, simplicity, protection and empowerment, and customer choice – are very important for all consumers and should be considered as key principles.

Competitive prices

Competitive prices are a crucial feature of a well-functioning market and a powerful incentive for customers to be active and make relevant choices. Customers should be able to choose and pay only for the service level they want. With the development of demand-response markets, customers will be encouraged to be more responsive to price signals and hence more flexible in their electricity consumption. Such higher flexibility will also help to offset the intermittency of RES.

It should be made clear that the prices consumers pay today are not the sole responsibility of energy companies. Final prices are to a large part made up of network tariffs (fixed by the NRAs), as well as RES support and the various taxes (e.g. social tariffs) decided by national governments. Politicians, regulators, consumer groups and energy companies have a shared responsibility to enhance consumers' understanding of the market by explaining what is happening and why. We should all work together to tell the energy story.

Reliability

Customer confidence is a prerequisite for well-functioning retail markets and future demand response. Consumers will feel more confident if they can rely on their energy supply, the information they receive from their suppliers, as well as the different processes (switching, billing, moving, etc.) and services they are offered.

- Reliable supply: EURELECTRIC agrees with CEER that customers should not suffer from interruptions of supply. In most EU member states, energy supply can already be taken for granted by the majority of citizens. Supplier of last resort provisions, for instance, should be applied in cases of failed supplier switching or bankrupt suppliers.
- Reliable information: Customers should have access to clear information on how to choose a supplier and compare offers. Contract terms for instance should contain all the relevant information including, where applicable, the end date of the contract and what terms apply thereafter (e.g. automatic renewal or return to standard product).
- Reliable processes and customer services: Customers should be able to rely on the different processes and on the customer services which they are offered. The supplier switching process for instance must be straightforward and not represent a barrier to switching.

Generally speaking, EURELECTRIC believes that a customer interface with the supplier as main point of contact makes all (major) retail market processes simpler and clearer from a customer perspective and thus improves their trust in the market. This will be even more relevant with the increased complexity and amount of information exchanged in tomorrow's smart energy system.

Simplicity

Suppliers have to meet their responsibilities in providing customers with clear contracts that are easy to understand. We believe that companies competing in a well-functioning market have a natural incentive to offer products and services designed to please customers (i.e. clear, simple). On the other hand, too rigid rules and procedures may hamper innovation and discourage companies from developing new products, thus reducing customer choice.

Quality guaranteed comparison websites which assist customers in navigating the retail market and choosing the product suited to their needs should support customers in making the right choice. Many such websites are already provided by regulators, consumer organisations or energy companies themselves.

In addition to receiving advice from their supplier, consumers should be able to get advice from third parties, i.e. energy service providers.

Finally it should be recognised that in a competitive market characterised by different needs and thus offers, some offers will inevitably be simpler than others. For instance, capped products where prices can initially go down but can subsequently increase to the level of the cap require more detailed explanation than fixed price products.

Protection and empowerment

Consumers need to feel confident to be willing to engage with the market.

This should start by making sure that they are well-informed and that they receive clear and transparent offers. Consumers should also be able to understand with whom they are dealing and the nature of their possible commitment, e.g. cancellation arrangements. Informing consumers comprehensively should however stop short of overwhelming them with information. In many countries, consumers complain that there is too much information on their bills, which makes them unclear and difficult to read.

Protection from unfair commercial practices is of course important, as it is for other retail markets. Consumers should have the means to resolve any queries, such as easy access to their supply companies' customer service and third party complaint resolution bodies (ADR).

The essential nature of electricity means that it is covered by a requirement for universal service provisions. In particular, it is necessary to ensure that vulnerable customers are able to participate in the market and that customers are not cut off from supply if a supplier fails or goes bankrupt. However we do not support sector-specific social legislation: it should be for social policy to ensure that essential services are met. Specific measures – if introduced – must be compatible with the functioning of competitive retail markets and must not represent an attractive long-term (or permanent) alternative to competitive markets.

Finally, we support setting up a privacy framework that enables new services and technology while protecting consumers' data. Attitudes to privacy may vary across member states, but consumers will only be comfortable with access to and use of their data if they are confident that those data are secure. They should always know who has access to their data and what is done with it.

Customer choice

Making sure that consumers benefit from simple, reliable and competitive offers will allow them to have confidence in the liberalised energy market. However we believe that

another key principle should be added to the list proposed by CEER: choice! In a well-functioning market, consumers can freely choose from a range of products, services and contract types designed by the many competing supply companies. They can base their choices not only on price and supplier brand, but also on features such as billing type and frequency, detailedness of information, level of service, or type of generation fuel mix (green, grey, etc.). The 2020 vision for Europe's energy consumers should make sure that suppliers and service providers can innovate to satisfy the diverse needs and preferences of European consumers.

Conclusion

We believe it is vital to recognise that even if all the identified principles are key, there can be tensions between them. The real question then becomes how to strike the right balance. For instance, investments in the grid – necessary to maintain a reliable supply – will have consequences for prices paid by consumers.

EURELECTRIC would like to stress once again that customers are not a homogenous group. There is no single measure that will motivate all customers to, for example, become more aware and more flexible in their energy use. A good strategy for Europe's consumers should therefore remain flexible, ensuring that – depending on the consumers' needs – a balance between the key principles can be struck.

EURELECTRIC is committed to participating in an open dialogue with regulators, consumer associations and other industry representatives with the view to developing this 2020 vision for Europe's energy consumers and translating it into reality.



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