



## **GEODE POSITION ON ERGEG PUBLIC CONSULTATION ON SUPPLIER SWITCHING PROCESS, TRANSPARENCY OF PRICES AND CUSTOMER PROTECTION.**

### **Supplier Switching Process – An ERGEG Best Practice Proposition for Public Consultation. Ref: E05-CFG-03-05.**

Having read through the above consultation paper from **ERGEG**, it is **GEODE**'s opinion that **ERGEG**'s strategic priorities for the Supplier Switching Process are appropriate in terms of both:

1. Promoting easy, cost-effective and standardised activating/deactivating procedures; and
2. Ensuring customer confidence and sound monitoring systems.

Moreover, **GEODE** finds that the roles and responsibilities both for and between the parties, as set out in **ERGEG**'s consultation paper, constitute a commendable method for tackling the Supplier Switching Process.

**GEODE** would like to draw **ERGEG**'s attention to the fact that in the current market electricity and particularly natural gas face strong competition from other forms of energy. The distribution companies face considerable costs in respect of setting up systems which will reliably facilitate the Supplier Switching Process; and indeed in respect of the administrative aspects of running the Supplier Switching Process. It is therefore important that the legislation in the individual member states and/or the regulatory requirements of the individual regulatory bodies provide for these inevitable costs incurred by the distribution companies to be covered by the distribution tariffs which will be payable by all users of the distribution systems.

**GEODE** looks forward to continuing the dialogue in respect of determining the Best Practice Proposition for the Supplier Switching Process.

### **Transparency of Prices – An ERGEG Best Practice Proposition for Public Consultation. Ref: E05-CFG-03-04.**

Having read through the above consultation paper from **ERGEG**, it is **GEODE**'s opinion that **ERGEG**'s strategic priorities for the Transparency of Prices are appropriate in terms of:

1. Creating conditions for customers to make an informed choice;
2. Transparency of price elements in bills, including accuracy of billing; and
3. Updating information on price changes during the contract period.



In general terms, **GEODE** can accept not only **ERGEG**'s strategic priorities as set out in the consultation paper; but equally the steps it recommends for putting these strategic priorities into practice.

However, **GEODE** advises against imposing too specific and detailed requirements on the supply companies in terms of reporting prices and publicising their supply services in the field of electricity and natural gas: in **GEODE**'s experience this can have unforeseen consequences in that it tends to encourage the competing supply companies to homogenise somewhat the services they provide, thus limiting the selection of alternative products offered to consumers. Moreover, excessive demands for detail in respect of reporting and publication of prices can unintentionally cause competition on prices between rival companies to stagnate; and the fewer the providers in a given area, the greater the risk of this effect.

Electricity and natural gas supply companies must compete to a certain extent with companies which supply other forms of energy. It is therefore important that the legislation in the individual member states and/or the regulatory requirements of the regulatory bodies should not handicap electricity and natural gas by comparison with other forms of energy by imposing unequal charges on natural gas and electricity companies by comparison with companies which market other forms of energy to consumers.

On the other hand, **GEODE** considers that the co-existence of regulated and free-market prices on several Member States causes unfair competition with regard to independent suppliers and new entrants, as dominant producers use their ability to raise free-market prices. This causes regulated prices to be cheaper than free-market prices giving no chance to independent suppliers and new entrants.

**GEODE** looks forward to continuing the dialogue in respect of determining the Best Practice Proposition for Transparency of Prices.

### **Customer Protection – An ERGEG Best Practice Proposition for Public Consultation. Ref: E05-CFG-06**

Having read through the above consultation paper from **ERGEG**, it is **GEODE**'s opinion that **ERGEG**'s strategic priorities for Customer Protection with associated principal recommendations must be viewed in tandem with the propositions for the Supplier Switching Process and for Transparency of Prices and with **GEODE**'s comments.

On this basis and subject to the reservations set out in **GEODE**'s comments appended to the two consultation papers indicated above, **GEODE** generally supports **ERGEG**'s strategic priorities for Customer Protection and its principal recommendations.



**GEODE** welcomes the fact that the terms and conditions of the agreement between consumers and supply/distribution companies in the electricity and natural gas market are clear and easy for consumers to understand.

Distributors represented by **GEODE** are well-known for their close relations towards consumers. Therefore, **GEODE** agrees with the fact that distribution companies must construct distribution network and put this network in operation to serve the individual consumer within defined deadlines and subject to standards of quality which were clear to the consumer.

At the same time it is important that the legislation and/or regulatory framework should ensure that the costs which are associated with setting up capacity and securing the quality of the distribution service can be met by direct payment from the relevant consumer; or can be guaranteed via distribution tariffs which are payable by users of the relevant distribution system.

**GEODE** looks forward to continuing the dialogue in respect of determining the Best Practice Proposition for Customer Protection.

Barcelona 4<sup>th</sup> May 2006

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