

SPEECH | 11 July 2016

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Honourable Lord Mogg,

Madame Goyens,

Distinguished representatives of Europe's Energy Regulators,

Ladies and Gentlemen,

I am very glad to join you at today's Annual Customer Conference, here on the Commission's premises. First, because there is no better timing than now to discuss the evolving role of consumers in the internal energy market - as we are in the midst of re-designing Europe's electricity market.

The second reason for which I am delighted to be here is because of

the unique contribution of CEER and BEUC in this discussion.

But before our specific discussion on consumers in the new electricity market, I would like us to take a step backwards and look at the digital revolution at large and its effect on consumers across sectors.

What we are currently going through is a fascinating phenomenon which traverses every aspect of our society; technology, trade, economy, transport, and what have you. As such, the role of consumers is changing so fast.

Why? Because the digital (or what some call Fourth Industrial Revolution) has been liberating consumers from many of their traditional constraints which we've known since the establishment of the market economy. For example, one of the main hurdles for an efficient and competitive market has always been information asymmetry, where consumers lack the data for making informed decisions and optimising their utility. Comparison of price and services used to require going back and forth across town, having to take into consideration an impossible amount of information.

I am actually quite curious to hear what Monique will have to say about this, but from my perspective, consumers have probably never been as well informed as they are today. This is thanks to the availability of 'big data' and sophisticated aggregators, anyone can now collect information about the product in front of her as well as all comparable products currently available around the world!

We do it within minutes with a click of a mouse every time we look for a flight, a hotel, car rental, or even a takeaway meal. And if you don't do it, your 10 year old child can probably show you how as it has become so incredibly natural for them.

There are still bottlenecks and hurdles but we see where this trend is going. And this revolution does not stop with access to information. The giant leap is the empowerment of consumers which can go so far that the distinction between consumers and producers is becoming obsolete. Anyone with a smartphone can now produce and share content or a service, rent out her or his apartment, offer a ride, or sell a product.

This has happened already across many sectors and fields; however not yet in the energy retail markets. We notice that consumer interest and engagement in the energy market remains low in many Member States. Many European consumers have never changed their energy supplier or type of contract. This can change only if consumers see that the energy transition and the industrial revolution is working for them; creating value for them through better and more innovative services, savings leading lower prices, etc.

As Vice President for the Energy Union, with a project team of 14 commissioners, my colleagues and I have been assessing ways to encourage a consumer-centred energy transition, addressing some of the new ethical, regulatory, and legal questions that this new digital economy is raising.

Let us be honest about it; this is a new market we have never seen before which we must learn to deal with, involve those who have a stake and insight to share. But our purpose is not to flag the risks and challenges but identify how we can make this industrial revolution as smooth, secure, inclusive, empowering, and profitable as possible.

Let me share with you my vision of how the electricity market should look like and the role of consumers in it. Here as well, I would make the distinction between the two levels; information and empowerment of consumers. Consumers should know more and be able to do much much more.

When it comes to being better-informed, energy bills should obviously be clear and easy to compare but I'd like to go much further than the good old paper bills. The data revolution must also reach the electricity market, allowing consumers to monitor, control, and assess their energy consumption in real-time (not only at the end of the month or even once a year).

Consumers should be able to monitor the fluctuation in the value of electricity they use and be able to adjust their consumption accordingly in real-time. They should be able to translate this knowledge also for using new storage technologies so they can buy energy at its lowest price and use it when the prices peak.

This of course goes hand in hand with our upcoming Communication on low-carbon mobility as well as with the revision of our legislation on the energy performance of buildings. We would like to ensure one can conveniently charge an electric car from home, office, public spaces, etc.

Finally, consumers should know the origin of their electricity because many of them do care if it is sustainably produced or not. We are therefore reviewing the role of the guarantees of origin in the revised Renewables Directive.

When it comes to the second level of empowerment, we are talking about new consumer rights, like the right for self-consumption, the right for self-production or even the right to request a smart meter. Our internal market should enable and offer incentives for consumers to exercise them. I believe most Europeans are aware of the important environmental contribution they can make by switching to their own renewable sources. But we must make sure it is administratively burden-free and financially beneficial to all consumers.

In other words, the way to ensure self-production is economically viable is to create a truly competitive market. There are ways to protect our most vulnerable consumers and I believe we must do so. But the existence of energy poverty must not be an excuse for resisting the deregulation of prices or the introduction of dynamic pricing.

Addressing energy poverty should not hinder the creation of competitive retail markets, notably targeted support, information and ensuring that energy poor consumers have access to energy efficiency measures. I have debated this recently in the Plenary of the European Parliament.

Ladies and gentlemen, such competitive markets with a level-playing field for all market participants are a pre-requisite for new innovative services to develop, and they will benefit society as a whole.

The best example that comes to my mind is the Nordic markets. Now that consumers have access to smart meters and the retail market is competitive, dynamic electricity price contracts will be offered by suppliers. This allows consumers to substantially lower their electricity bills by shifting consumption to periods of lower prices.

The next step is to compensate consumers for selling their flexibility to their service providers and then for service providers to be able to sell the aggregated flexibility to the market. This does not only bring economic benefits to consumers but it can also help to bring down wholesale electricity prices and hence reduce system costs.

In order to get there we must agree on a new set of rules, replacing the existing one which is now obsolete. We are still following the 20th century logic where energy was nationally-centralised and based on fossil-fuels. This logic no longer stands.

The new market design initiative of the Commission is aiming to lead our electricity market to the 21st century, a century which has started with a very powerful promise to consumers. A powerful promise that we must translate to our power generation and supply.

The Initiative builds on last year's Communication on the New Deal for Consumers and it takes into consideration your input and suggestions from the public consultation on the new market design, energy efficiency and renewables. It aims at enabling consumers to fully engage in the market, establishing fair market rules for new players in that market and thereby enhancing competition.

An easy way to remember the main principles of the new market design and the energy transition at large is the Ds model. Anyone who followed my presentations over the past months might have noticed we started off with a 3D model but since then my colleagues have been finding new Ds which are each indispensable:

- **decarbonisation** of our economy in line with our commitments to ourselves, the ones we presented in Paris, and President Juncker's target of making Europe the number one in the world in renewables.
- **diversification** of our sources, allowing more renewables into the grid. It is of course also about adding more sources of our transition fuels, namely: natural gas.
- **democratisation** of our energy system by empowering consumers and allowing them to become "prosumers". The next generation of prosumers will also be able to store their energy (I challenge you to find a new name for those...).
- the **decentralisation** of our energy generation from large-scale energy generation to small inter-connected generation, with a rising role given to smart cities in the energy transition
- **digitisation** of our energy and transport system, thus producing a range of new integrated services,

and last – but not least :

- **disruption** of our business models (such as electric car sharing, smart buildings as energy nodes, and more generally the integration of energy-transport-communications) alongside with new jobs profiles and skills.

Of course being disruptive raises a range of questions about data protection and privacy, access to data and data ownership, about interoperability of smart devices that work with these data. But as I mentioned earlier, finding excuses for slowing down progress is easy. But my focus is not on flagging the risks and challenges but on how to best tackle them.

This brings me to the role of CEER in this complex process. Let me tell you that your contributions are highly useful and very insightful, whether in your work with the Agency for the Cooperation of Energy Regulators (ACER) or with the Commission's services here in Brussels.

Your draft Work Programme for 2017, which you published last month, indicates clearly the importance you give to continuing to work with the EU institutions in general and on the role of consumers in the new electricity market in particular. The same goes for BEUC which has been instrumental along the process, making sure we do indeed keep consumers (or prosumers) in the centre.

For all these contributions which you have provided in the past and that you will in the future, I wish to wholeheartedly thank you. Your perspective is crucial for the success of this process!

But I'd like to ask you for your help not only in contributing with your ideas to effective policy-making but also when it comes to changing mind-sets around us. Bringing about a more sustainable and competitive energy system does not happen in isolated meeting rooms.

There is a major pedagogical challenge, shared by all opinion-makers, in spreading the message, or what you wisely called the 3rd step of 'engaging consumers'.

- Because even the best energy-labelling system will be meaningless unless citizens are aware of it and look for it when purchasing their appliances.
- Smart meters and grids will not bring the revolution we are aiming at unless citizens recognise their value in saving energy and reap the potential of producing their own energy.
- Significant investments in research and innovation of green energy solutions is only sustainable if citizens understand why this is good investment of tax payers' money, of their money.

Our leadership is therefore also measured in our ability to inspire others to follow along the path of the energy transition, and show citizens the way it can contribute to their daily lives, to our society, to the planet.

Let me conclude by saying that the Market Design Initiative and the Renewables Package will be among the last deliverables which we will present this year, or in what has come to be known as the Energy Union's Year of Delivery. Because by the end of 2016, the Commission will have presented around 90% of the Energy Union proposals.

The co-legislators are already addressing and debating our previous proposals but as of next year, the Commission will be fully devoted to negotiating with the European Parliament and the Council in order to turn these proposals into law before the end of our mandate.

If you allow me, I will stop here. I wish you very constructive discussions. I can assure you that your exchanges here today are not hypothetical; they are feeding into our policy-making; they are part of the most profound change in our energy market that this generation has seen.

Thank you very much.

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