

Supply & Markets Development Committee

**CEER workshop on retail market design,
with focus on supplier switching and billing**

David Johnson, Chairman SMDC

Brussels

10th February 2011



THE EUROPEAN UNION OF THE NATURAL GAS INDUSTRY

Market design

Some key points from Commission report to CEF 2010

- Pre-requisites for well-functioning markets
 - Liquid wholesale markets (*not considered here*)
 - Active and empowered customers
 - Efficient and effective processes
 - Intelligent and adequately resourced regulators
- Customers
 - Clearly defined roles & responsibilities of market actors
 - Rules for ownership & handling of consumption data
 - Customer information – expectations & rights
- Processes
 - DSO as neutral market facilitator
 - Efficient customer switching processes
 - Standards and requirements for DSO quality of service
- Regulators
 - Competition & regulation
 - Retail market monitoring & indicators

CEER workshop on retail market design - customers

Focus on customers and the customer experience...

- Clearly defined roles & responsibilities of market actors
 - Customers should be clear on who to contact on specific issues
 - Supplier as customer's primary point of contact (in 'smart' world too)
 - Suppliers innovate & compete – customers choose
- Rules for ownership & handling of consumption data
 - Customer should have confidence information will be correctly handled
 - Smart meters mean more data can be gathered, greater sensitivity of data
- Customer information – expectations & rights
 - Need for greater safeguards in smart meter world

CEER workshop on retail market design - processes

Focus on pre-requisites for switching...

- DSO as neutral market facilitator
 - Level playing field, minimise entry barriers
- Efficient customer switching processes
 - Good processes
 - Good data quality
 - Customer service / satisfaction
- Standards and requirements for DSO quality of service
 - Supplier & customer confidence in switching service, meter reading
 - Closing account billing

CEER workshop on retail market design - regulators

Suggested approach

- Customer interface & contract models
 - Ensure level playing field / neutrality
- Retail market monitoring & indicators
 - Monitoring & indicators can help identify structural or operational problems at MS level, but not substitute for market review
 - Recognise competition will never develop satisfactorily if there are artificially low retail prices
- Regulation
 - Appropriate and proportionate legislation, complemented by smart regulation
 - Consumer safeguards – yes, but must be proportionate, maximum space to innovate & compete
 - Need for stability
- Billing
 - Recommendations of Commission WG on paper bills still valid
 - Billing formats are improving
 - Share good practice but allow plenty of scope & flexibility
 - Growth of internet billing in last 2 years; paper bills gradually superseded ⁵

CEER workshop on retail market design – concluding remarks

In thinking about market design, remember

- Need good competitive model
 - Competition the main basis for ensuring needs of gas customers are met
 - Retail competition the most important motivator for suppliers to deliver good customer service in gas and other energy-related services
 - Provides choice, spurs innovation, encourages new product development
- Don't over-regulate
 - Regulation should be proportionate, stable and smart
 - Avoid restrictive or prescriptive approaches wherever possible
 - Limits customer choice & scope for competition
 - Don't keep changing the rules
 - Leads to regulatory uncertainty
 - Can discourage new entry, increase costs
- Competition with a social conscience
 - rather than social policy through regulating the energy market