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E.ON Position on

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

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General Remarks

"Without customers, there is no business¹"

The nature of the energy market is that there is no practical means of customers demonstrating their choice between the critical trade-offs of security of supply and cost or, within the supply market, of trust, service and low barriers to engagement in the market.

In most EU member states energy supply can be taken for granted by the majority of citizens. Policy makers on the whole understand the need for investment to ensure continued reliable, secure and safe supply in the future. Customers generally don't.

Functioning competitive markets (wholesale and retail) and a robust regulatory framework for grid investment, maintenance and operation, ensure fair prices.

One standard price and product for all customers ensures the lowest level of empowerment.

Specific Questions

Question 1: What do customers want from the energy market, and what are their priorities?

Security of supply. Our belief is that security of supply is by far the most important requirement for customers, although this only becomes apparent on the infrequent occasions when supplies are interrupted.

Control of their own bill. Research shows that price increases are customers' most commonly raised concern and that a perception that energy companies can be quicker to increase prices than they are to reduce them particularly damages trust. However, with rising wholesale and carbon costs and greater investment required in the industry, what is most beneficial to customers in terms of price is actually control. By 2020 this may be met through measures such as: support programmes for energy efficiency; smart meters; demand response products and services; and better information, both on their own usage and on the causes of price increases.

Product features which suit their lifestyle and circumstance. Customers want a range of energy products that they can understand and compare. The mature competitive supply market in Great Britain has driven suppliers to innovate and develop new products to try to win customers. This brings more choice to customers and enables them to choose a product which suits their individual circumstances. However, energy is a low interest sector and both suppliers and regulators need to work hard to make choices clear, facilitate and encourage customer engagement with the market and build trust. For 2020, regulators must ensure that product choice is easy, although regulators must also take care not to inhibit innovation.

Good customer service. Customer service remains important to customers, and there is good evidence that customers who are satisfied with their supplier are less likely to switch to a different one. Similarly, customers who have a bad experience with their supplier may be inclined to change

¹ E.ON Sustainability Report 2011, published May 2012



to a different supplier, regardless of price. The investment in smart metering has the potential to greatly improve customer service. Regulators must build on this by ensuring information is available to customers to underpin competition on service level.

Question 2: What are the future changes – challenges and opportunities – that customers will face?

The challenges facing energy customers will of course vary depending on the maturity of the energy market in each member state, but two are critical:

1. A competitive energy market will be essential to meet customer needs efficiently. Demand response and other measures to ensure security of supply cost-effectively need customers to make choices. Customer choice can drive service improvements and ensure suppliers focus on increasing trust and meeting customer needs for simple choices.
2. The penalty in cost of energy to customers who do not use energy efficiently or do not improve the energy efficiency of their property will increase as unit energy costs increase. Customers will benefit from being more engaged in the market.

Wholesale energy prices will become more volatile as more and more energy from renewable energy sources is fed into the system, due to its intermittent nature. Customers will, therefore, face the impact of more volatile prices, incentives for demand response measures and maybe more complex products taking into account different levels of security of supply.

Opportunities will arise from investment in the industry. Smart meters will increase customers' ability to control their energy usage and enable capabilities such as demand side response. The internet will allow customers to access and use more data and to engage with a wider range of advisers. However, there will also be a challenge of ensuring the volume of information is manageable. Regulatory frameworks must reward the provision of attractive information services, whilst also ensuring minimum standards of clarity and data protection.

According to the International Energy Agency², the key potential barriers to take-off of a demand response market includes: *"Regulatory requirements and rules that unduly control prices, restrict customer choice, or inhibit regulated entities from actively developing innovative demand-response businesses"*

The regulatory framework is an important enabler for the competitive market. The regulators should ensure the delivery and quality of for instance meter readings. But it is the competitive market that should use the meter readings to develop new products and services.

A key challenge for regulators will be to retain the flexibility in the market to allow suppliers to innovate to support new innovations like plug-in vehicles, or to reward customers who are prepared to modify their behaviour as a result of installing smart meters or energy monitors. There is a risk that too many products combined with complex products or unclear presentation of offers leads to a

² Empowering Customer Choice in Electricity Markets. International Energy Agency Information Paper, Douglas Cooke, October 2011



reduction in customer engagement with the market. Successful retailers in any sector will be those who develop attractive product ranges and make it easy for customers to choose; ensuring a market driven solution to the balance between innovation and simple choice. Regulators, on the other hand, need to very carefully consider the impact (both positive and unintended adverse) of any measures aimed to restrict product offers.

On the other hand, in some member states, customers continue to have very little choice and the challenge is to facilitate the development of a competitive market.

Question 3: How should these be addressed? What good and bad practices already exist in your region that can be share? Do you have novel ideas on how to address these issues going forward?

A measure of a well-functioning market is not that retailers never get it wrong, but that they work hard to put it right.

E.ON UK is working on its own Reset programme to reconsider our relationship with our customers. The Reset review will build on E.ON UK's vision to become our customers' trusted energy partner and is examining every aspect of our relationship with our residential and small business customers. We are looking at our tariffs and bills, at how our customers pay, at how we sell our products, and how we support our customers.

As part of the Reset programme, we have:

1. set up the energy industry's first independent Customer Council, involving individuals from business, customer advocates and politics to pressure-test and challenge our ideas.
2. held customer focus groups on our new bill design
3. held quarterly customer complaints forum, where customers themselves help us to get to the root cause of complaints
4. initiated customer surveys to our 'YourSay' panel, which 28,000 customers have chosen to join
5. had several meetings to discuss our initiatives with the main UK consumer associations and the national regulator

E.ON Germany is taking a series of actions to create transparency and to empower the customers: Communication compendium "Unsere Sprache" (our language) that helps to communicate with the customer in an understandable way and to get complex issues across; 'Customer Self Care' leads to more transparency, improvement of customer advice in the service centres, road shows, information via internet; and developing new products such as Efficiency Apps, and One Stop Shop for e-mobility.

E.ON Italy is adopting a series of actions to optimize its Customer Care Platform in order to be able to offer a better and tailored service based on the customer's needs.

Furthermore, E.ON Italy has launched a review of all forms and templates of contractual documents in order to make them much more user-friendly and clear for the customer. The review will consider not only the content of the documents but also the channels the customers may use to communicate with the company. The process is continuously evolving in order to adopt the easiest solution for the customer under the regulatory framework.



E.ON Spain has recently launched a new design for the gas and the electricity bill, aimed at strengthening communication with our customers. This new layout, easier to understand, with prioritized information, and is intended to address the different needs identified in workshops conducted with our customers for simplicity and transparency.

Furthermore, E.ON Spain has set up the free one stop telephone number to cater for all our customers' needs in any area. We are the first Spanish retailer providing this service, thus encouraging the relationship with our customers.

E.ON in The Netherlands recognised the need to improve its billing. The supply business now reads the meters of its customers, rather than relying on meter readings from the DSO. This has resulted in a better service in terms of accuracy of the bill evidenced by fewer queries and complaints.

In some countries, we are exploring new channels for customer communication, for instance through social media, or applications for mobile phones which allow customers to better control their own energy usage.

Across the E.ON Group, we use a Net Promoter Score (NPS) system to facilitate the continuous improvement of our services. NPS serves as a tool to measure customer satisfaction and to improve our customers' experience with E.ON and gives customers a voice in our daily business. In selected contact situations, we ask our customers to rate on a scale of zero to ten how willing they would be to recommend E.ON to their friends. In addition, we ask them to explain the score they gave. Each regional team analyzes and derives insights from these responses to improve our services further.

E.ON has implemented a complete NPS program in Germany, Sweden, Italy, UK, the Benelux countries, Czech Republic and Spain. We plan to expand the program to other regions in 2012.

Examples of improvements due to feedback from our customers includes:

1. In Italy, the feedback from new customers signalled insufficient communication when switching to E.ON. We responded by designing a system that keeps new customers constantly up to date on the status of the changeover process
2. Based on relevant customer feedback, the German sales organizations have simplified the design of their invoices, cutting the number of queries and the associated costs.

In 2011, E.ON received several awards for customer orientation, for example:

1. E.ON UK won the Complaints Team of the Year Award for its excellent complaints management.
2. E.ON Spain won a prestigious product award from Actualidad Económica, a Spanish magazine, which awards the 100 most innovative ideas in different areas. In 2011 in the category of energy, E.ON España's product "Triple Energía" managed to get into the best 5 where "Triple-E" was the only commercial offer.

There is scope to make things easier for customers by encouraging suppliers to use a common language. This would lead to a more recognisable presentation of products, which would help customers understand their options and make better choices between products and suppliers.

Ofgem (the UK national regulatory authority) is considering standardising tariffs to make comparison easier for customers. The risk with Ofgem's approach is that it could restrict supplier innovation and hence limit customer choice. Furthermore, there is evidence from our own customer



research in the UK that too much similarity between companies' offerings can actually increase mistrust, as customers assume that the market is somehow fixed.

Question 4: 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?

CEER's plan to engage stakeholders in debate is right, but could be enhanced by comparing experiences in member states. Some markets are more developed than others and developed markets have evolved in different directions. Initiatives that are being applied in one member state may not be appropriate in another market that is at a different stage of development, but all are of interest in helping all participants develop their market.

Retailers in all markets recognise that understanding their customers is a huge competitive advantage. We have continually worked to deepen our understanding of customers' needs and to develop our business to adapt to changing needs and to anticipate future needs of our customers. We will draw on our extensive customer surveys and interaction with our customers in contributing to CEER's work on a 2020 vision for Europe's energy customers.