

Regulators propose holistic framework for assessing well-functioning retail energy markets

CEER's¹ [position paper on well-functioning retail energy markets](#) (published today) creates a forward-looking framework for national regulators to assess the performance of energy markets. This strategic paper aims to increase the level of sophistication in the understanding of retail markets as we work to develop a roadmap to deliver well-functioning retail energy markets to the benefit of consumers by 2025. In particular, the paper:

- (1) defines the outcomes that a well-functioning retail market should achieve; and
- (2) sets out common criteria for market assessments of well-functioning markets³.

The paper originates from regulators' "Bridge to 2025" proposals and our commitment to develop a roadmap and to advise the European Commission in respect of its future Retail Markets policy, as outlined in its July 2015 Communication on "Delivering a New Deal for Energy Consumers in Europe"².

Lord Mogg, CEER President, reiterated that:

"For energy markets to deliver benefits, we need to address both the demand and supply sides: consumers should be empowered and engaged in the market and there should be a high degree of competition and innovation. Our hope is that common metrics will help regulators better to assess progress towards delivering well-functioning energy markets."

CEER's market assessment framework is based on 2 key principles (consumer involvement and effective competition) which in turn are broken down into 8 key properties (or outcomes) that we expect well-functioning markets to deliver for consumers. To measure these outcomes, we propose a set of 25 metrics to be considered collectively for each relevant market (for both gas and electricity and from residential consumers to businesses).

Consumers must be involved in the market

Lord Mogg outlines CEER's vision of consumer involvement:

"We have long underlined the fundamental centrality of consumers to our energy markets. In well-functioning markets, consumers are empowered and enabled to engage in market activities. In this way, their trust in the market can be increased."

To assess consumer involvement, CEER proposes that regulators look to the demand side of the market to examine consumers' experience and their interaction with energy markets, examining levels of awareness of trust; the availability of empowerment tools, levels of consumer engagement and the application of appropriate protection measures.

Effective competition is fundamental

CEER sees innovation and competition as crucial for well-functioning retail markets. Regulators will focus on market concentration levels and barriers to entry metrics, the relationship between wholesale and retail prices and the availability of choice (including demand response options).

The [CEER 2015 Customer Conference](#) (20 October) will be an opportunity to discuss CEER's new retail market assessment framework, where the theme of our event is "Delivering a New Deal for Energy Consumers". In terms of next steps, CEER has committed to developing a roadmap to secure well-functioning retail markets for consumers by 2025. As a first step, CEER will (in 2016) conduct a gap analysis identifying areas that are still not working in the consumer interest across EU Member States.

Brussels, 16 October 2015

Ends (see Notes for Editors)

Notes for Editors:

1. The Council of European Energy Regulatory (CEER) is the voice of Europe's national energy regulators. Its members and observers are the independent statutory bodies responsible for energy regulation at national level. Visit www.ceer.eu.
2. In July 2015, the European Commission published (as part of a [Summer Package](#)) its [Retail Communication "Delivering a New Deal for Energy Consumers"](#). In this Communication, the European Commission describes three areas of action (pillars of the "New Deal") to put consumers at the heart of retail markets:
 - Empowering consumers to act (through better information, wider choice and consumer protection)
 - Making smart homes and networks a reality (with fully-interoperable appliances and components, fit-for-purpose smart metering systems and research and innovation)
 - Paying particular attention to data management and protection (guaranteeing consumers' privacy and non-discriminatory handling of metering data to promote innovation and competition).

Building from these three priorities, the Retail Communication identifies some specific areas where they see further need for improvement, including on the clarity and comparability of content of bills; the transparency and reliability of price comparison tools; and the incentivisation of innovation and cost-efficiency by distribution system operators. The Communication proposes to cooperate with energy regulators in addressing these issues.

3. [CEER's strategic paper on well-functioning retail energy markets](#), launched today, seeks to address and complement many of the issues identified in our earlier discussions and counselled by the European Commission's Retail Communication. CEER's paper identifies key characteristics of retail markets, and those outcomes which, taken together, should be delivered in a well-functioning market. The core principles in the CEER-BEUC 2020 Vision for Europe's energy customers serve as the foundation for regulators' views on retail markets: Reliability Affordability Simplicity Protection and Empowerment (the RASP principles). These principles must underpin energy markets that meet the diverse needs of customers, be they residential consumers (including the most vulnerable) through to businesses, and to deliver services that meet those needs.

The next steps will be twofold. First, for individual national regulatory authorities (NRAs) to use available metrics for their national markets, and identify which might need to be further developed. Second, to review the CEER framework as a whole, and to refine the analysis in the light of any comments received from stakeholders and the experience gained by NRAs. On this basis, CEER will continue its work to define in greater detail the metrics and to develop our thinking on the roadmap needed to deliver well-functioning retail energy markets to the benefit of consumers by 2025.