

Council of European Energy Regulators (CEER)

Building a 2020

vision

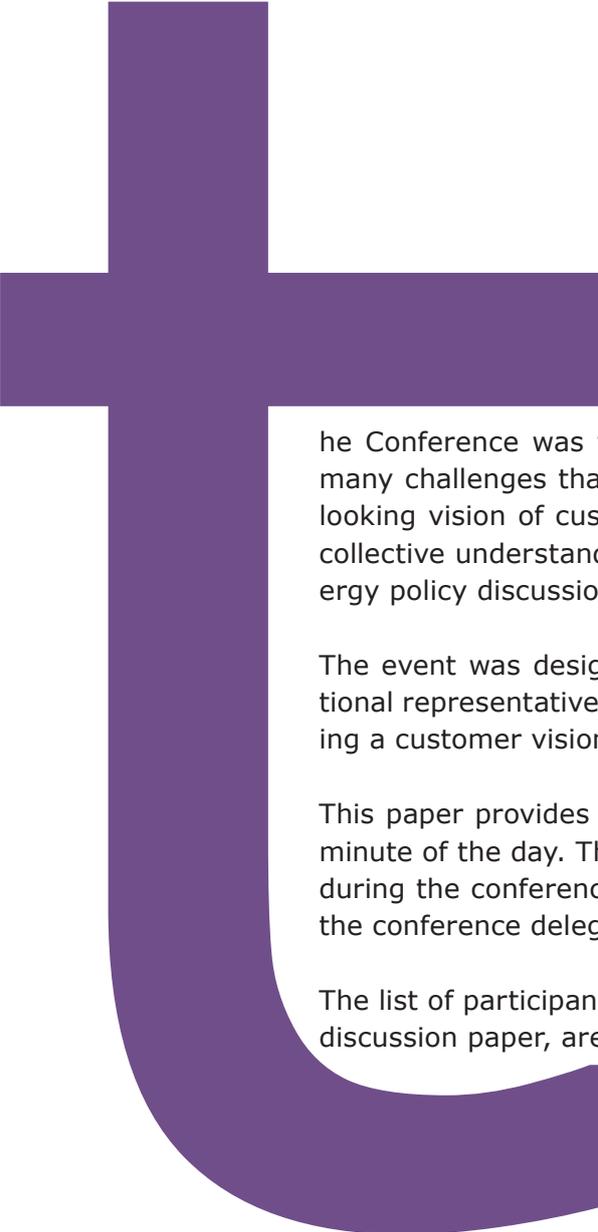
for energy customers

Proceedings of the conference
Brussels, 21 June 2012

Building a 2020 Vision for Europe's energy customers

Proceedings of the conference

On 21 June 2012, the Council of European Energy Regulators (CEER) held a conference as part of its process to build a vision for Europe's energy customers



The Conference was the first stage of CEER's initiative to confront and overcome the many challenges that customers face now and in the future by developing a forward-looking vision of customers' energy wants and needs. The Vision aims to deepen our collective understanding of customers' priorities and to place these at the heart of energy policy discussions.

The event was designed to be interactive, involving consumers, industry and institutional representatives, in order to gather feedback on *CEER's discussion paper* on forming a customer vision.

This paper provides a high level summary of the proceedings. It is not an exhaustive minute of the day. The comments recorded reflect the views expressed by participants during the conference. We hope that this note will provide a useful summary both for the conference delegates and for those stakeholders who were unable to attend.

The list of participants and all the presentations and relevant documents, including the discussion paper, are available on the **CEER website**.

1 Setting the scene

Lord **John Mogg, President of CEER**, opened the conference by welcoming the 157 delegates including, in particular, the 37 representatives from consumer organisations in 20 countries. He invited participants to actively participate in the discussions so as to better inform regulators of customers' wants and needs as CEER builds its vision for Europe's energy customers.

Mr **Gunther Oettinger, European Commissioner for Energy**, delivered the opening remarks. He thanked CEER and Lord Mogg for bringing together so many stakeholders to discuss a key element of electricity market reform – the consumer. Mr Oettinger noted that consumers are largely dissatisfied with the energy market at present. He considered a well functioning internal market to be the most efficient way to improve the consumer's experience. However, it assumes corresponding public policies are in place, customer-focused companies operating in the market and, equally importantly, active engagement of the consumer.

Mr Oettinger noted that customers in other comparable markets have much more information and choice, however there are opportunities to change for the better, e.g. if the benefits of smart meters are realised. Looking ahead, he noted that investment is needed in the energy sector. We need to create an energy market with the consumer at its centre; consumers who are informed about the choices available, find these choices attractive and understandable and, finally are integrated in the energy system so that they can influence it by their actions such as micro generation. To achieve this, we need strong consumer organisations, strong independent NRAs, CEER, ACER and improved cooperation.

Mrs **Patricia de Suzzoni, Chair of CEER's Customers and Retail Markets Working Group**, introduced *CEER's discussion paper: Building a 2020 vision for Europe's energy customers*. The aim of the work is to ensure CEER puts customers at the heart of EU energy policy. She noted that CEER cannot achieve this alone, and the conference was designed to engage key stakeholders, particularly customer organisations across Europe, to share their views and ideas. Mrs de Suzzoni identified the key principles that CEER suggests are important for consumer now and stretching out to 2020:

- Affordability
- Simplicity
- Reliability
- Protection and empowerment

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Testimonials from consumer organisations across Europe

Mrs **Jacqueline Minor**, Director, Consumer Affairs Directorate, DG SANCO, chaired this session. This part of the agenda gave the floor to six consumer organisations from across Europe to present their experiences in supporting energy customers and share their top tips. In her opening remarks, Mrs Minor noted the links between CEER's vision for customers and the Commission's *Consumer Agenda*.

Mr **David Ortega Peciña**, of the **Organización de Consumidores y Usuarios** in Spain, commented that liberalisation has not necessarily meant effective competition. The benefits for Spanish customers have been limited and a survey shows that customers do not switch since they do not see the benefits. The free market has not led to significant cost savings but has increased the risk for customers. Customers need better information so that they can understand their bill and be energy efficient. Tools to support collective switching may also help customers as well as measures to fight abuses in terms of tariff increases. Active customer advocacy and campaigning is essential.

Mr **Pawel Rokicki**, from the **Association of Polish Customers**, noted that in Poland there is a low level of consumer awareness which results in a very small number of consumers switching. There is a serious need for more consumer education in schools and done by consumer NGOs, for which more funding is necessary. With little consumer awareness, businesses are not forced to compete which increases the risk of wrongdoing by the energy providers. Many consumers lack information and knowledge and see switching as a hassle. Crucial issues for energy consumers include availability and affordability of offers, good customer service, transparent bills and contracts and good contract terms. The energy bill, for example, can be very hard to read and understand. Making it more transparent and requiring information on the pattern of energy use and energy efficiency advice on the bill might be helpful for consumers. He also identified the importance of a fast and fair complaining handling process. Mr Rokicki shared the Association's experience in certifying energy contracts to help consumers and build transparency and trust in the market.

Mr **Pete Moorey**, from **Which?** in Great Britain, noted that the cost of energy is one of UK consumers' top financial concerns: nine out of ten customers are worried. However, this concern does not lead to action to reduce bills through switching or make homes energy efficient. Mr Moorey gave the example of their collective switching exercise "Big Switch" through which nearly 37,000 customers switched to a better deal. Collective switching can help customers to get a better deal; but it is by no means the answer to engaging consumers in the UK energy market. He also called for information and tariffs to be made simpler for customers.

Mr **Thierry Saniez**, of the **Confédération de la Consommation, du Logement et du Cadre de Vie (C.L.C.V.)** in France, stated that some barriers to switching and engagement remain in the domestic market. Contract forms are often complicated. A lack of information regarding prices and costs is also a barrier. So far, a small proportion of customers have switched from the regulated tariffs. Tools which help customers understand offers and exercise choice better are welcome, especially now that energy prices are starting to make headlines. Good practices can be helpful, for example, a code explaining legal provisions on the relationship between consumers and suppliers, requirements for legible bills, comparison tools for suppliers' offers, and an independent ombudsman and contact point for energy information with free access for consumers.

Mr **Mauro Zanini**, from the **Federconsumatori Nazionale** in Italy, noted that in the current economic climate customers need appropriate protection. Mr Zanini suggested that there is a need to motivate customers. He noted that not many Italian customers have switched as the benefits from switching are not large enough to prompt action. He identified the lack of transparency of energy offers which may be misleading for customers. The number of customer complaints received has increased and it is important that issues are resolved out of court.

Ms **Frauke Rogalla**, from the **Federation of German Consumer Organisations**, considered the future changes and challenges and opportunities that customers will face in Germany. Price rises are likely as a result of feed-in tariffs and infrastructure investment. However, consumers do not receive enough and adequate information about the reasons for price increases. Price monitoring can help to achieve a better price transparency. The energy market is becoming more complex with regard to switching, energy production, metering, smart homes and tariffs. Ms Rogalla noted the role of the regulator should be to set conditions for markets to develop. A fair distribution of cost between households and businesses is also important.

Mr **Paolo Martinello**, **President of BEUC, the European Consumer Organisation**, highlighted that consumer organisations have direct experience in dealing with customers. Liberalisation of the energy markets has not yet brought the benefits we hoped for. It is crucial to make the market easy, fun and financially worthwhile for customers. Smart metering and smart data can help customers, however, there is a range of practical issues to be addressed, such as providing the right amount of information and specialised advice. Consumers are not investors. Smart meters should allow them to make better choices with respect to energy costs. However, consumers should not have to pay for smart meters if there is no benefit for them.



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Break-out sessions

Four break-out sessions took place during the event, considering issues related to reliability, simplicity, affordability, and protection and empowerment. These key principles are seen as equally important for putting consumers at the heart of CEER's work.

Delegates were split into small subgroups, each containing a good mix of consumers, regulators, industry, etc. They were asked to consider a series of questions relating to the four key principles. For some questions, certain groups had to role play, addressing an issue from the point of different customer groups such as vulnerable customers, families, small businesses; or from the point of view of different players such as consumer organisations, regulators, industry and government.

Summary slides of the discussions are available on our website.

What are the drivers of reliability?



The break-out groups considered what defines reliability of service. Participants thought that reliability is driven by service access and is determined by continuity of service and quality of service (stability). Consumers should be able to expect accurate, reliable bills. The quality of ancillary services, and the availability of customer service or redress were seen as important but a relatively lower priority for customers in terms of achieving reliability.

Participants considered some of the challenges to achieving reliability. Sufficient technical frameworks and information are needed to identify and tackle problems before the customer is affected.

Participants also considered the role of different stakeholders in ensuring reliable energy supplies. All players have a role in ensuring reliable supplies. Distribution System Operators are responsible for active grid management and should act quickly to identify the source of a problem. Public authorities, including regulators, can set standards, incentivise good behaviour, consider investment and foresee special cases. They should take action when a company does not deliver a reliable service, for example by enforcing requirements, issuing fines or naming-and-shaming companies. Customers can exercise their right to switch if they are not satisfied. Customers have the potential to play an active role in demand management, but only if they are incentivised to do so.



The facilitator was Mr Jan Panek, European Commission, DG Energy.

Finding simplicity amidst the diversity of competition

The break-out groups considered what changes customers will see over the coming years and how this might complicate the customers' service experience. Participants identified that there is likely to be more providers and a wider range of services and tariffs. This may make comparability of offers a challenge. They noted that consumers are all different – with different needs and abilities. They noted that simplification should come via a mix of regulation and third parties working to empower consumers.

This break-out group also considered who has a role to help customers understand these technologies and choices. Participants identified the need for multichannel communication and public communication. They noted that the service provider has a key responsibility to help customers understand these technologies and choices.

The facilitator was Mr Philip Lewis, VaasaETT.

Affordability

The break-out groups considered the roles of different players in order to ensure access to energy at a fair price and energy efficiency.

With regard to vulnerable customers, participants identified the need to define who is vulnerable then consider suitable protection such as social tariffs, predictable prices and incentivising energy efficiency programmes. Independent, simple and trusted advice, for example face to face or over the telephone, can help empower consumers.

When considering average households, information can empower them to manage affordability. First there is the need to get the basics right such as bills with actual consumption, more frequent information and comparison with historical records. Participants also noted the potential from new technology such as benchmarking consumption information, text messages, smart meters, appliances and building standards for energy efficiency. Prices must be transparent and customers should be able to access trusted advice.

Participants noted that small businesses have different needs. They questioned whether they are similar to households or, potentially worse off as they are less protected. Access to current and past consumption patterns and clearer and simpler contracts can help such customers.

On other roles, it was noted that government is key in policy decisions, regulators need to focus on the long-term interests of the consumers and consumer associations should be active in the debate and directly advising customers.

The facilitator was Mr Tomás Gómez, Vice Chair of CEER's Customers and Retail Markets Working Group.





Knowing Your Rights

The break-out groups considered the role of different organisations in consumer protection and empowerment. They also discussed trade-offs when considering today versus tomorrow.

Participants considered that the role of regulators is to be independent, provide broader outreach to consumers, engage more with consumer organisations at a national level, liaise with consumer protection authorities and deliver and share more market monitoring and research.

With regard to trade-offs between today and tomorrow, participants said that thorough cost/benefit analysis and impact assessments are necessary for future investments. Customers should be engaged in future choices.

Participants said that consumer bodies should be more involved in EU energy policy development, though they noted that they lack funding. Facts and figures need to be communicated for easier consumer advocacy. Their expectations for the Citizens' Energy Forum are for it to be more bottom-up, more agenda setting by consumer bodies and for additional smaller decentralized meetings.

The facilitator was Ms Monique Goyens, Director General, BEUC.

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What does the future hold for energy customers?

Ms **Monique Goyens, Director General of BEUC**, chaired a plenary session to consider what the future holds for energy customers.

Ms **Rossella Delfino** (from **Commissioner Dalli's cabinet**) congratulated CEER on showing leadership and commitment in their initiative to build a vision for Europe's energy customers. She underlined that the importance of energy for consumers is highlighted in the European Commission's new proposal for a "European Consumer Agenda", adopted in May 2012. The Consumer Agenda sets out the Commission's strategy for the years to come, and energy is one of the five key sectors in the Consumer Agenda. She emphasised that faster and full implementation of the consumer provisions of the Third Energy Package is key. She pointed to the need to build on good practices, the important role of the London Forum and several Working Groups run by the European Commission (e.g. on alternative dispute resolution, billing and vulnerable customers).

Mr **Philip Lowe, Director General of Energy, European Commission**, outlined the EU strategy for delivering a functioning internal energy market and incentivising active consumer involvement. It rests on three pillars. Proper and timely transposition of the Third Energy Package is the first step to achieve the goal of a robust internal energy market by 2014. Secondly, there is a need to go beyond the Third Package to make markets work for consumers and open up competition across the EU to ensure customers are presented with true choices. This includes the removal of those controls on retail prices that effectively create obstacles to competition and thus to a wider choice for the benefit of the customer. Finally, Mr Lowe noted the need to make the most of available smart technologies from smart meters to smart distribution grids. The former can provide a key tool for consumers to engage with the market for a tangible benefit.

Mr **Colin Sausman**, a member of **CEER's Customers and Retail Markets Working Group**, looked at how technology and smartness help meet customers' expectations and facilitate customer engagement. Mr Sausman noted that first consumers are likely to see differences in services and offers then there will be more data-driven navigational tools and marketing. He provided examples of smart metering and micro generation ("prosumers") to identify some of the opportunities for consumers and some of the potential challenges in terms of complexity and equal access.

Lord Mogg, CEER President, closed the conference. He reflected on the day, noting that regulators have different powers, resources and knowledge at national level. Energy regulation is no longer strictly an economic activity; it is now about current – and future – consumers. Lord Mogg identified the role of best practice and learning from each other. He noted the need to get the basics right such as bills, tariffs and comparison services. There are a number of new technologies that can help consumers too. He recognised the role of regulators in capacity building, sharing knowledge with consumer organisations and learning from them in turn. Finally, he recognised the desire of consumer organisations to be involved and active throughout the year and for the Citizens' Energy Forum.

Lord Mogg thanked all participants for attending and for their active participation. He thanked the European Commission for supporting the event.

5 Next steps

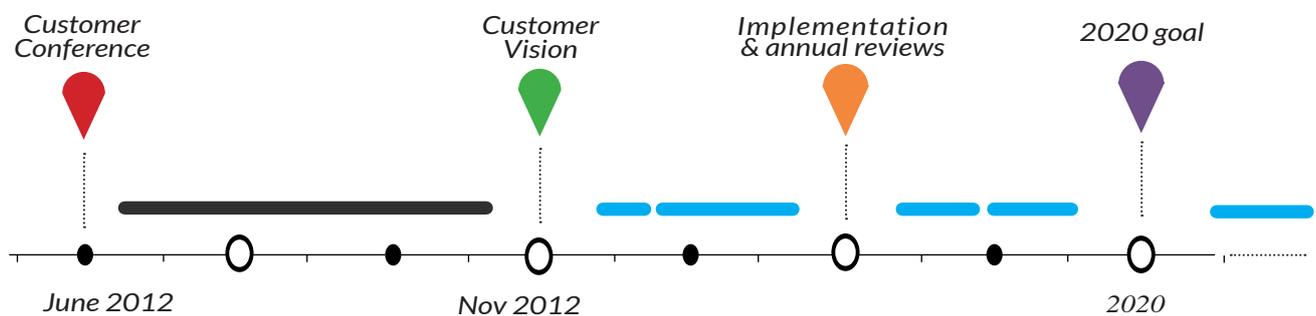
CEER invited written comments to its discussion paper; these have been published online.

CEER will review all the feedback from the conference and written comments to its discussion paper. From this, we will develop the vision and work plan for Europe's energy customers.

We plan to present the vision at the Citizens' Energy Forum in London in November 2012.

CEER looks forward to continuing to work with a wide range of stakeholders to establish and deliver the vision for Europe's energy customers.

All conference materials (presentations, programme, discussion paper, etc.) are available at:
bit.ly/CEERWS



CEER (Council of European Energy Regulators)
Rue le Titien, 28
1000 Brussels
Belgium

www.energy-regulators.eu
brussels@ceer.eu
twitter.com/CEERenergy