Consumer Focus response to ERGEG consultation on retail market monitoring

June 2010

Consumer Focus

Campaigning for a fair deal

About Consumer Focus

Consumer Focus is the statutory consumer champion for England, Wales, Scotland and (for postal consumers) Northern Ireland.

We operate across the whole of the economy, persuading businesses, public services and policy makers to put consumers at the heart of what they do.

Consumer Focus tackles the issues that matter to consumers, and aims to give people a stronger voice. We don't just draw attention to problems – we work with consumers and with a range of organisations to champion creative solutions that make a difference to consumers' lives.

Our response

Consumer Focus welcomes the opportunity to respond to this consultation. The successful monitoring of various retail and retail-connected indicators is crucial for the energy market we wish to see, and the consultation document is fairly thorough in its approach. However in many cases we believe that the GB energy market is already in line with the spirit and specifics of the suggested metrics.

Rather than answer individual questions, our comments below are based on the 19 indicators as set out in the consultation document. Given the maturity of the liberalised GB market best practice in terms of collection of data is often to be found there.

Indicator 1: Number of customer complaints by category

Any figures taken under this indicator should be clearly delineated to reflect the unequal nature of complaints. For example, being disconnected is considerably more traumatic than receiving a slightly inaccurate bill, and should be recorded and segmented to reflect this.

In addition, and if resources allow, it might be worth separation of complaints by geographic (in and out of) area so as to see if companies treat their customers consistently.

Indicator 3: Is there a reliable price comparison website available for customers?

Key here is an understanding of 'reliability'. Most important may be how the information is presented ie in a way that allows consumers to understand the basic range of tariffs on offer, rather than simply listing the hundreds of gamed tariffs which such sites engender.

Indicator 4: End-user price for typical household customer

As the consultation alludes there is merit in distinguishing between prepayment and other payment methods. In fact this indicator should be broken down by all payment types and also for low and high-users levels.

End-user prices need to be broken down as far as is possible so as to allow accurate comparison across member states. The proportion of a bill that is made up of wholesale costs, network charges, social obligations etc needs to be clear and uniform across countries.

Indicator 5: Retail margin for typical household customer

This is absolutely crucial in monitoring the true extent of competition and thus, ultimately, consumer welfare. Sustained high levels of margin should induce market entry and so their long-term nature will be of concern to consumer groups; it implies that barriers to entry are too high for competition.

It is particularly important to distinguish between differing products' margins so that any apparent cross-subsidies between different groups of consumers can be identified.

Indicator 6: Price spread on comparable products for typical household customer

This indicator should also encompass low and high-users' price spreads to show which parts of the market may or may not be being served.

Indicator 7: Number of current offers to typical household customer

Care needs to be taken under this indicator in terms of identifying discrete tariffs as opposed to the many offers energy companies may offer that differ only in very small ways.

Indicator 8: What percentage of customers is eligible to receive a regulated end-user price? What percentage of eligible customers is served under regulated end-user prices?

The relative proportions of individual suppliers (such as those providing social tariffs) should also be ascertained. This will enable bodies such as Consumer Focus to see which suppliers have a disproportionate number of vulnerable households as consumers.

Indicator 9: Number of active suppliers that are selling electricity and/or gas to household customers across the same market

Within this indicator it should be made clear which of these suppliers is vertically-integrated (and to what extent) as opposed to merely running a supply business.

Indicator 10: Market shares by number of customers and consumption

This indicator needs to be segmented by EU region and/or pre-liberalisation distribution areas, and to be clear 'customers' should mean 'households'.

Indicator 11: What percentage of customers is served by a DSO that: has separate branding from the supply branch of its vertically-integrated undertaking; does not have separate branding from the supply branch of its vertically-integrated undertaking; is totally separate from the supplier of that customer?

It might also be worth collating information on the number of households served by a DSO owned by transmission operators.

Indicator 12: Number of switches for household customers as a percentage of customer numbers

Key here is the danger of double counting because of consumers who switch multiple times in a set period. If possible, controls should be applied that can delineate between serial switchers and the average consumer.

For more newly liberalised markets, another key measure to include would be the overall percentage of the market that has ever switched supplier. For more mature markets like GB, the percentage of consumers who are more active switchers is also an important indicator.

There also needs to be some breakdown as to whether the consumer achieved a cost saving or not rather than assuming that everyone who switched enjoyed lower bills.

Indicator 13: Number of renegotiated contracts for household customers

The information gleaned from this indicator is likely to be marginal and so great care will need to be taken with inferring conclusions or making policy.

Indicator 15: Number of failures in relation to the total switching rate

Consideration should be undertaken as to what constitutes a 'failure', for example switching to a more expensive tariff, this presumably not being the consumer's intention.

Indicator 16: Average time between a connection being requested by a customer and completed

Proximity to existing gas/electricity networks means that the numbers gained from this indicator should not be smeared (distorted). In addition the DSO needs to be clearly flagged and aggregated for comparison purposes.

Indicator 17: Average time until repair

There needs to be reference made to the nature of the fault so a fair assessment of efficient repairing can be undertaken.

Indicator 18: Relative number of disconnections

This indicator should be broken down into those vulnerable and non-vulnerable households who have experienced disconnection.

Disconnection for debt should be clearly delineated from disconnection for theft and other reasons. Another key indicator to include here would be the average length of time a consumer has been disconnected.

Energy debt levels are also an important factor in evaluating whether the market is functioning well and are currently not included in these indicators. The number of customers in debt to their supplier and average debt and debt ratios are key metrics that should also be collected.

Indicator 19: Is there a charge for execution of maintenance services? (Y/N).

Average time taken for execution of maintenance services. Average charge for execution of maintenance services

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