

Citizens' Q&A

2017 Handbook for National Energy Regulators – How to assess retail market functioning

1 What is the 2017 Handbook for National Energy Regulators on how to assess retail market functioning?

In 2015, CEER developed a strategic high-level paper outlining the framework of the key characteristics of well-functioning retail energy markets. In 2016 and 2017, European energy regulators have committed to continue the development of a forward-looking framework for evaluating the performance of retail energy markets and to prepare a roadmap to 2025 well-functioning retail markets. The development of this roadmap aimed at competitive, reliable and innovative retail markets is part of our pledge to realise our 2020 Vision for Europe's energy consumers, a commitment also expressed in ACER's Bridge to 2025: Conclusions Paper.

The handbook should guide European energy regulators in assessing the functioning of their national retail energy markets and identifying any potential problems. It contains information on the description of each metric, its purpose, source of data, quantification, and unit of measure.

2 What does the handbook propose for National regulatory authorities to do in order to achieve well-functioning retail energy markets?

This handbook has been developed as a practical guide for National regulatory authorities in the process of evaluating the performance of their national retail energy markets. By providing a clear description and purpose of each metric as well as information on how to quantify the metric and the source of data, the handbook will facilitate energy regulators' assessment of their retail markets. In addition, the pilots performed by energy regulators, which are released along with the 2017 handbook, will give energy regulators an insight and examples into the practical usability of the metrics.

3 How does it work?

The main objective of this handbook is for European energy regulators to use the defined metrics to assess the functioning of their national markets. The definitions of the metrics are therefore primarily practical in nature. Each definition contains a methodology to guide energy regulators through the process and where possible, a step-by-step approach is included. By following this approach energy regulators should be able to define the metric at the national level. To fully grasp the development of the market over time we, advise to repeat the assessment within a reasonable timeframe.

4 Why is this important for energy customers? What is the impact on energy customers?

National regulatory authorities are best placed to evaluate the status of their national retail energy markets and to take corrective measures to ensure that their markets truly benefit consumers. Consumers should be aware of their rights, and be empowered and engaged to take full advantage of the possibilities retail markets offer them.

Reliability *in the physical supply of energy, and in commercial systems and processes that provide continuous access and affect customer service levels, such as billing. It also means reliability in the processes that allow problems and disputes to be resolved transparently, fairly and quickly.*

Affordability *such that charges are clear and kept to fair and reasonable levels for all customers, reflecting value for money at a level consistent with funding necessary investments to develop energy networks and to achieve energy policy targets (for example renewables), taking into account the real needs of customers. This can be secured through network regulation and other appropriate measures, if and when necessary, and by providing customers with effective choice over truly competitive offers and new, innovative services. Energy sector specific measures as well as wider social policies have an important role to play, especially for the poorest and more vulnerable.*

Simplicity *in how information is provided to customers, and especially residential consumers, such that it is easy for them to understand their bill and better manage their energy consumption, making the choices that are right for them. It also means simplicity and transparency in how processes that affect customers operate. Many customers, and especially many residential consumers, want to be able to take quick and simple decisions in energy markets.*

Protection and empowerment *to ensure access to energy supplies, and to guard against unfair commercial practices and unsatisfactory outcomes, recognising the diverse needs of customers, in particular the most vulnerable in society. For customers to be engaged, to take choices and to exercise their rights as energy customers, based on trust in and knowledge of how the energy sector operates. As responsibilities shift and consumers are increasingly expected to become more active in energy markets (through developments such as demand response, smart metering, micro-generation or energy efficiency measures), our Vision recognises their right to choose by whom and how their energy is to be provided and charged. Although this freedom could be framed by regulation, offering meaningful choice for customers, including residential consumers, is a key way to ensure their full protection.*