

## Regulators' framework for assessing retail energy markets advances a New Deal for energy consumers

- Regulators define what well-functioning retail markets should look
- CEER proposes a framework for national regulators to assess retail energy markets

Representatives from the European Commission, consumer bodies and energy market players gathered today at CEER<sup>1</sup>'s 2015 Customer Conference *Retail Energy Markets - a "New Deal for consumers"*.

Launched at the event was regulators' new retail market assessment framework, as set out in CEER's [position paper on well-functioning retail energy markets](#). This strategic 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 markets<sup>2</sup>.

### **Regulators define what well-functioning markets should look like**

Linking CEER's new retail market assessment framework to the European Commission's Energy Union package and its promised "New Deal" for consumers<sup>3</sup>, **Lord Mogg**, said:

*"An important part of the Energy Union package is to define what success looks like so as to make sure we are assessing whether we're achieving it. CEER's new retail market assessment defines what characterises well-functioning retail markets: consumers should be empowered and engaged in the market and there should be a high degree of competition and innovation."*

### **CEER proposes a framework for national regulators to assess retail energy markets**

CEER's market assessment framework is based on 2 key principles (**consumer involvement** and **effective competition**) which in turn give rise to 8 aspirational 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).

**Lord Mogg** added: *Our hope is that common metrics will help regulators assess progress towards delivering well-functioning energy markets."*

Also discussed at the conference were innovation issues and how distribution networks have to adapt to facilitate the well-functioning markets (as set out in [CEER's recent conclusion paper on the future role of the DSO](#)<sup>4</sup>).

In terms of next steps, CEER will continue to work on distribution, retail market and consumer issues in 2016 so as to follow up on our "[Bridge to 2025](#)" commitments and advise the European Commission in respect of future retail markets.

Brussels, 20 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](http://www.ceer.eu).
2. [CEER's strategic paper on well-functioning retail energy markets](#), launched today at CEER's 2015 Customer Conference, 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.

CEER's market assessment framework is based on 2 key principles: **consumer involvement**, and **effective competition**. 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. To **assess innovation and competition**, CEER proposes to 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 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.

3. In July 2015, the European Commission published (as part of a [Summer Package](#)) its [Retail Communication "Delivering a New Deal for Energy Consumers"](#). In it the European Commission confirms its vision (as set out in the Energy Union Strategy) of an Energy Union with "citizens at its core" and a 3-pillar strategy to deliver a "new deal for energy consumers":
  - 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 that the Commission cooperates with energy regulators in addressing these issues.

4. The future role of the Distribution System Operator (DSO) - A CEER conclusions paper (July 2015)
  - DSOs must run their businesses in a way which reflects the reasonable expectations of network users and other stakeholders
  - DSOs must act as neutral market facilitators in undertaking core functions
  - DSOs must act in the public interest
  - Consumers own their data, which should be safeguarded by DSOs when handling data

5. Regulators' [Bridge to 2025 proposals](#), published 23 September 2014, identifies the trends foreseen in the ten-year period to 2025 and recommends a set of actions for regulators, the EU institutions, Member States and energy actors (including consumers) to fully implement EU legislation, including the network codes as well as the Gas and Electricity Target Models, to help establish and maintain liquid, competitive and integrated wholesale energy markets. The Bridge to 2025 provides a vision for the next decade which includes cross-cutting proposals across the full range of energy policy - from electricity and gas, to retail and consumer to distribution networks and the overall governance for European level energy cooperation.

The Bridge to 2025 proposals proposes a number of priorities for CEER in relation to consumers. Key among them:

- Establish common criteria for a well-functioning retail market
- Develop a roadmap aimed at a competitive, reliable and innovative retail market by 2025
- Determine minimum standards to remove market barriers
- Facilitate more active participation of smaller consumers in the markets
- Prepare a roadmap to secure reliable supplier switching within 24 hours no later than 2025
- Develop the CEER 2020 Vision into practical actions to enable market development across Member States whilst protecting and empowering consumers
- Establish key features of retail market design to provide a level playing field
- Develop guidance to facilitate the phasing out of regulated end-user prices
- Simplify the comparability of offers available in the market