

ERGEG
Best practice Propositions on:
Supplier Switching, Transparency of Prices and Customer Protection
Evaluation of comments to the Public Consultation
15-06-2006

1 Public consultation

To seek views on three Best Practice Propositions respectively dealing with Supplier Switching, Customer Protection and Transparency of Prices, ERGEG launched a public consultation on the 1st of March 2006. The three Best Practice Propositions identify strategic priorities, highlight best practice, make recommendations and establish basic principles for each subject in the view of the opening of retail markets (household customers and small enterprises) to competition in July 2007.

2 Stakeholders

Thirteen responses were received on the Best Practice Propositions on Supplier Switching, namely CEDEC, VDN and VDEW, ebIX, GEODE, SAP AG, The Consumer Council of Norway, Polish Association of Energy Traders, Gemserv, Scottish and Southern Energy, Nordenergi, EURELECTRIC, Eurogas and Management and Infrastructure Consultancy.

Nine responses were received on Best Practice Propositions on Customer Protection and Transparency of Prices, namely CEDEC, GEODE, The Consumer Council of Norway, Polish Association of Energy Traders, Scottish and Southern Energy, Nordenergi, EURELECTRIC, Eurogas and Management and Infrastructure Consultancy.

The different stakeholders generally welcome and agree with the three Best Practice Propositions, and in many cases the commentaries correspond well with the propositions. Nevertheless, ERGEG has received some general remarks and some specific suggestions.

When finalising the Best Practice Propositions, ERGEG has discussed and taken into account the responses given by the various stakeholders. When ERGEG has changed or added some texts in the three Best Practice Propositions it is clarified in this cover note.

3 Best practice propositions on Supplier Switching

3.1 General remarks

Examples of the general remarks concerning the Best Practice Propositions on Supplier Switching are that the implementation of new switching processes is associated with great expenses, that a common European switching model will not be able to take into account the different market-specific particularities, and that the goal should be to arrive at a European switching process by ensuring that national solutions are compatible with each other.

3.2 Specific suggestions

Some stakeholders, e.g. Eurogas, EURELECTRIC and SAP AG, disagree with the idea of proposing that the DSO acts like a hub and a market facilitator, which is described in paragraph 12. ERGEG has partly taken this into account and has, in paragraph 12, more clearly defined the role of the DSO to act like a *data information* hub.

The stakeholders find the proposition that the customer should only need to be in contact with one party in a supplier switching process good. ERGEG has made some changes in the supplier switching figure and clarified that if meter reading is done by the customer it can either be done with one single point of contact through the new supplier or by interaction only with the DSO/or other party as a second party.

EURELECTRIC has proposed a single generic model of supplier switching for retail customers. ERGEG appreciates the Position Paper and thinks that there are already big similarities between the proposed model by EURELECTRIC and the model that is described in ERGEG's Best Practice Propositions on Supplier Switching. One key element in the single generic switching model by EURELECTRIC is a single point of contact where a customer can obtain all the necessary information during the process. The single point of contact is, according to EURELECTRIC, the new supplier. ERGEG agrees and thinks it is important that the switching process is easy from the customers' points of view. The main idea also in the Best Practice Proposition is one single point of contact, as far as possible. Only in those cases where the DSO/or other party asks the customer to read his own meter, the customer has to be in contact with two parties. ERGEG means however, that the most important thing is that the customer only needs to be in contact with one party, preferable the new supplier, when initiating the switch.

4 Best Practice Propositions on Transparency of Prices

4.1 General remarks

Examples of general remarks concerning the Best Practice Propositions on Transparency of Prices are that information is essential for the customer's choice of supplier. The price information must be transparent, accurate and up-to date.

Eurogas points out that it should be recognised that the design of contracts and bills in a competitive market will vary, reflecting an individual supplier's brand identity and approach. This serves to differentiate one supplier from another and may be a source of competitive advantage. ERGEG is aware that the design of contracts and bills differs between actors. Regardless the differences it is important that all bills and contracts are transparent and easy to understand from a customers' point of view. It is important that the customer easily, on the basis of the bill and contract, is able to compare his/her energy price and conditions with other suppliers.

4.2 Specific suggestions

Nordenergi has pointed out that updated information on price changes during the contract period should not limit the possibility to use spot-market dependent pricing methods with constantly fluctuating prices, when customers have agreed upon such an agreement. ERGEG agrees and finds it natural that it is impossible for suppliers who offer contracts with constantly fluctuating prices to inform the customers about price changes well in advance. For that reason ERGEG doesn't find it necessary to make any changes in or additions to the text in the Best Practice Propositions on Transparency of Prices.

EURELECTRIC thinks that in order to have a meaningful price comparison, the products and their prices must be comparable. EURELECTRIC thinks there is a risk that a rigidly and mechanically applied price comparison system ends up inhibiting innovation and discouraging companies from developing new products. The requirement of price comparability should not force companies to limit their offer to standard products. ERGEG generally agrees with the opinion that a product is more than just price but it is important for the customers to be able to get an overview of the prices. Experience from other markets and products shows that there is not a risk that a good price information system prevents new products. ERGEG thinks it is quite possible to combine new products with good price information.

5 Best Practice Propositions on Customer Protection

5.1 General remarks

Examples of general remarks concerning the Best Practice Propositions on Customer Protection are that it is important to protect smaller customers without access to the same legal resources that large customers have, and that it is incompatible with open markets to have a retail energy price regulation.

The Best Practice Propositions on Customer Protection don't elaborate with the issue of end-user price regulation. The view of ERGEG is however that there should not be a price regulation in a mature market that has been open for competition during some years. However the price regulation might be necessary when the market just has been opened or if social assurance is not available in the country. It is important to take into account the different particularities in each country.

5.2 Specific suggestions

Some stakeholders would appreciate a clarification of some terms, e.g. supplier of last resort, defined in paragraph 5 in the Best Practice Propositions. EURELECTRIC point out that the selection of the Supplier of Last Resort system must not harm competition on the market. As a general principal, the Supplier of Last Resort should be used only as an exception to the generally applicable supply conditions, in clearly defined cases and for limited categories of consumers. It should not, according to EURELECTRIC, become a general or default supplier of retail customers, .i.e. households and small businesses. ERGEG sees already big similarities between EURELECTRIC's standpoint and the idea with the system of Supplier of Last Resort, described in the Best Practice Propositions. ERGEG thinks however that a system where universal service is guaranteed is important in the view of good customer protection.

CEDEC opposes firmly to the use of what is called an "integrated" single contract with the supplier. Separate contracts for grid operations and supply are necessary. The position of ERGEG is that some customers may have separate contracts with the supplier and the distribution network operator, or the customer may have one contract with the supplier whilst the supplier deals with the distribution network operator or the customer may be able to choose between these two options. ERGEG thinks that neither of the systems will harm a functioning protection of the customers.

Eurogas defines in its paper independence, transparency, speed and accessibility to be the four key characteristics of a dispute settlement. ERGEG agrees and sees big similarities between Eurogas' four key characteristics and the description of the dispute settlement in the Best Practice Propositions. For that reason ERGEG does not find it necessary to change the texts on dispute settlements.

CEDEC is of the opinion that suppliers must respect a code of conduct to prevent consumers from becoming victims of commercial practices that infringe on elementary consumer rights. ERGEG agrees and has added a new paragraph, saying that it is advisable for suppliers to have a code of conduct against commercial practices affecting customers' basic rights.