



Final Guidelines of Good Practice on Indicators for Retail Market Monitoring for Electricity and Gas

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INFORMATION PAGE

Abstract

On 16 April 2010, CEER launched a public consultation on Draft Guidelines of Good Practice (GGP) on Indicators for Retail Market Monitoring (Ref: E09-RMF-14-04). The draft GGP outlined a number of proposals which aim to provide Member States and National Regulatory Authorities (NRAs) with a framework for effective retail market monitoring, against the backdrop of the requirements of the European Commission's 3rd Package.

This document presents ERGEG's final GGP, and is supported by the Evaluation of Responses (E10-RMF-27-03a).

Target audience

National Regulatory Authorities (NRAs), the Agency for the Cooperation of Energy Regulators (ACER), energy suppliers, traders, gas/electricity customers, gas/electricity industry, consumer representative groups, network operators, Member States, academics and other interested parties.

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Related documents

CEER/ERGEG documents

- “ERGEG Public Consultation on GGP for Retail Market Monitoring – Evaluation of Responses”, Ref. E10-RMF-27-03, 12 October 2010
- “ERGEG Public Consultation Paper on Draft Guidelines of Good Practice on Indicators for Retail Market Monitoring”, Ref. E09-RMF-14-04
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- ERGEG Final GGP on Customer Complaint Handling, Reporting and Classification Ref.E10-CEM-33-05, 10 June 2010
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- “ERGEG Draft Advice on Customer Complaint Handling, Reporting and Classification”, September 2009, Ref. E09-CEM-26-03, http://www.energy-regulators.eu/portal/page/portal/EER_HOME/EER_CONSULT/CLOSED%20PUBLIC%20CONSULTATIONS/CUSTOMERS/Customer%20Complaint%20Handling/CD/E09-CEM-26-03_ComplaintHandling_2009-09-09.pdf
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- “ERGEG Status Review of End-User Price Regulation as of 1 July 2008,” March 2009, Ref. E08-CPR-21-05 http://www.energy-regulators.eu/portal/page/portal/EER_HOME/EER_PUBLICATIONS/CEER_ERGEG_PAPERS/Customers/Tab/E08-CPR-21-05_End-UserPrices_11%20Mar%2009.pdf

External documents

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- Regulation (EC) No 713/2009 of the European Parliament and of the Council of 13 July 2009 establishing an Agency for the Cooperation of Energy Regulators. <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2009:211:0001:0014:EN:PDF>
- Directive 2009/73/EC of the European Parliament and of the Council of 13 July 2009 concerning common rules for the internal market in gas and repealing Directive 2003/54/EC. <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2009:211:0094:0136:EN:PDF>
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EXECUTIVE SUMMARY

Following full market opening on 1 July 2007, it is important to monitor the development of the EU energy retail markets. Indicators vary across countries and there is currently no comprehensive approach. Furthermore, ERGEG finds that the duty of National Regulatory Authorities (NRAs) to monitor the level and effectiveness of market opening and competition at wholesale and retail levels has been significantly strengthened by the 3rd Package¹.

ERGEG therefore suggests that four areas, covering 18 indicators, are used to monitor the level and effectiveness of market opening and competition. These are summarised in Table 1. ERGEG's recommendations are directed at the NRAs and the Agency for the Cooperation of Energy Regulators (ACER).

The purpose of the indicators suggested in this report is to provide an informed basis on which the development and functioning of retail energy markets can be evaluated and assessed. It should be noted that the focus of this report is to monitor the processes in which a customer interacts with the energy markets. Thus the indicators cover not only areas of the competitive energy market but also those areas of the monopoly market where a customer interacts with a stakeholder.

ERGEG conducted a public consultation from April to June 2010 to which 28 stakeholders responded. These stakeholders represented Customer, DSO and supplier perspectives to the suggested indicators. The responses show that there is an understanding of the need to monitor the retail markets and that an absolute majority was in agreement on number of indicators suggested, frequencies and description of methods. The answers are reflected in this report under each indicator where relevant.

Category	No.	Indicator
Customer Satisfaction	1	Number of customer complaints by category
	2	Number of customer enquiries
	3	Is there a reliable price comparison website available for customers?
Retail Market Outcomes	4	End-user price for typical household customer
	5	Price spread on comparable products for typical household customer
	6	Number of available contracts to typical household customer
	7	Percentage of customers eligible to receive a regulated end-user price Percentage of eligible customers supplied under regulated end-user prices
Market Structure	8	Number of active suppliers that are selling electricity and/or gas to household customers across the same market
	9	Market shares by number of customers and consumption

¹ The 3rd Package proposals for the European Internal Market in Energy were adopted on 13 July 2009 and include five legislative acts, which can be viewed at: <http://eur-lex.europa.eu/JOHtml.do?uri=OJ:L:2009:211:SOM:EN:HTML>

In this report, where we refer to Articles in the 3rd Package in relation to gas, we are referring to Directive 2009/73/EC of the European Parliament and of the Council of 13 July 2009 concerning common rules for the internal market in natural gas, and where we refer to Articles in the 3rd Package in relation to electricity, we are referring to Directive 2009/72/EC of the European Parliament and of the Council of 13 July 2009 concerning common rules for the internal market in electricity.

Category	No.	Indicator
	10	What percentage of customers is served by a DSO that has separate branding from the supply branch of its vertically integrated undertaking?
Market Condition and DSO services	11	Number of switches for household customers as a percentage of customer numbers
	12	Number of renegotiated contracts for household customers as a percentage of customer numbers
	13	Number of delayed switches
	14	Number of failures in relation to the total switching rate
	15	Average time between a connection being requested by a customer and completed
	16	Average time until repair
	17	Relative number of disconnections
	18	Is there a charge for execution of maintenance services? Average time taken for execution of maintenance services Average charge for execution of maintenance services

Table 1: Recommended indicators for retail market monitoring

Background

ERGEG has produced these GGP for retail market monitoring for three main reasons:

1. Full opening of the European energy markets took place in July 2007 and remains a recent event. Effective methods are needed for market monitoring to ensure that competition is developing for the future and providing desirable outcomes for customers today.
2. NRAs' duties to monitor the retail market have been strengthened by the 3rd Package adopted by the European Council in 2009. Directives 72/2009 and 73/2009 require that the designated authority shall have the duty to monitor the level and effectiveness of retail market opening and competition at wholesale and retail levels (Article 37 (electricity) and Article 41 (gas)). As a result, ERGEG believes there is a need to develop GGP which support the implementation of new monitoring duties.
3. The Citizen's Energy (London) Forum of 2009 called for ERGEG to develop indicators for the switching process and to continue to monitor best practice.

Objectives

ERGEG's GGP are aimed at providing a set of tools to enable NRAs and ACER to assess the development and functioning of energy retail markets. Furthermore, ERGEG considers that monitoring not explicitly required by the 3rd Package could still deliver valuable insights, as outlined in the GGP.

The GGP are intended to establish:

- Areas for retail market monitoring and suggested indicators, which include but are not restricted to requirements under the 3rd Package²;
- Recommendations regarding sources and frequencies of collection; and
- Relevant further considerations, where insightful for the interpretation of a specific indicator.

ERGEG's approach

When addressing the subject of monitoring, ERGEG considered a number of current practices and experience at NRA, ERGEG and European Commission level and further, held a workshop on 5 November 2009 to gather initial stakeholder views. Following a consolidation of these inputs into draft GGP, ERGEG held a Public Consultation from 16 April 2010 to 16 June 2010. The following recommendations reflect the outcomes of our evaluation of the responses received from 28 stakeholders.

² Indicators derived from the 3rd Package include some (e.g. Connections and Repairs) that relate to the activities of DSOs.

1 How to apply the recommendations

The recommendations of this report will support NRAs and ACER in developing an initial overview of the functioning of energy retail markets. This is because, used together, the indicators are intended to encompass the activities of all stakeholders. This includes customers, suppliers and distribution companies. The combined action of these stakeholders constitutes the market activity which produces the outcomes which either enhance or diminish overall welfare.

Individually, the presented indicators are insufficient to give a reliable picture of the functioning of the market. Together, and provided they are interpreted in light of their context, they will offer valuable insights when monitoring the energy markets.

When applying the suggested implementation guidelines, ERGEG believes it is important to note that:

- Not all of the suggested indicators have been designed to make cross-country comparisons at this time. ERGEG considers that certain indicators could be further developed to enable cross-country comparison.
- Each indicator is developed for relevant market sectors separately, as appropriate on a national basis. Typically the market sector will be the gas, electricity and dual fuel domestic retail market. The scope of each market is a matter for discretion, and could be regional and/or national;
- When analysing the results, the relationship between the indicators is considered and results are tracked over a period of time; and
- Wider or additional monitoring is also considered, always in balance with the additional costs of collection - ERGEG does not intend for the recommended indicators in the GGP to be a definitive and exhaustive list.

Scope

Where this report refers to ‘**customers**’ they are to be understood as ‘**household customers**’ and those customers that are deemed to be protected by **Annex 1 (and Article 3) of the 2009 Electricity and Gas Directives**, when implementing the 3rd Package. Each individual Member State may in addition choose to enlarge the scope from only household customers to also include small and medium-sized businesses. The national definition should be used when applying the indicators.

ERGEG has developed these indicators for the purpose of assessing individual markets.

Publication

ERGEG anticipates that the data collected to meet these monitoring guidelines may be published or, where specified, may be an input to the National Reports produced for the European Commission.

However, it is anticipated that data would generally be published on an aggregated basis – i.e. no one market participant would be named. Notwithstanding this, ERGEG recognises that individual Member States and ACER reserve the right to publish more granular data as long as the agreement under which it was collected is adhered to.

2 Recommendations

ERGEG describes the energy market as consisting of three building blocks – the market’s structure, its retail market outcomes, and customer satisfaction. However, ERGEG recognises that customers’ interaction with the market extends beyond the competitive market. Therefore, ERGEG also recognises the importance of monitoring DSO services as a means of fully capturing customers’ experience. These four related categories are described by Figure 1.

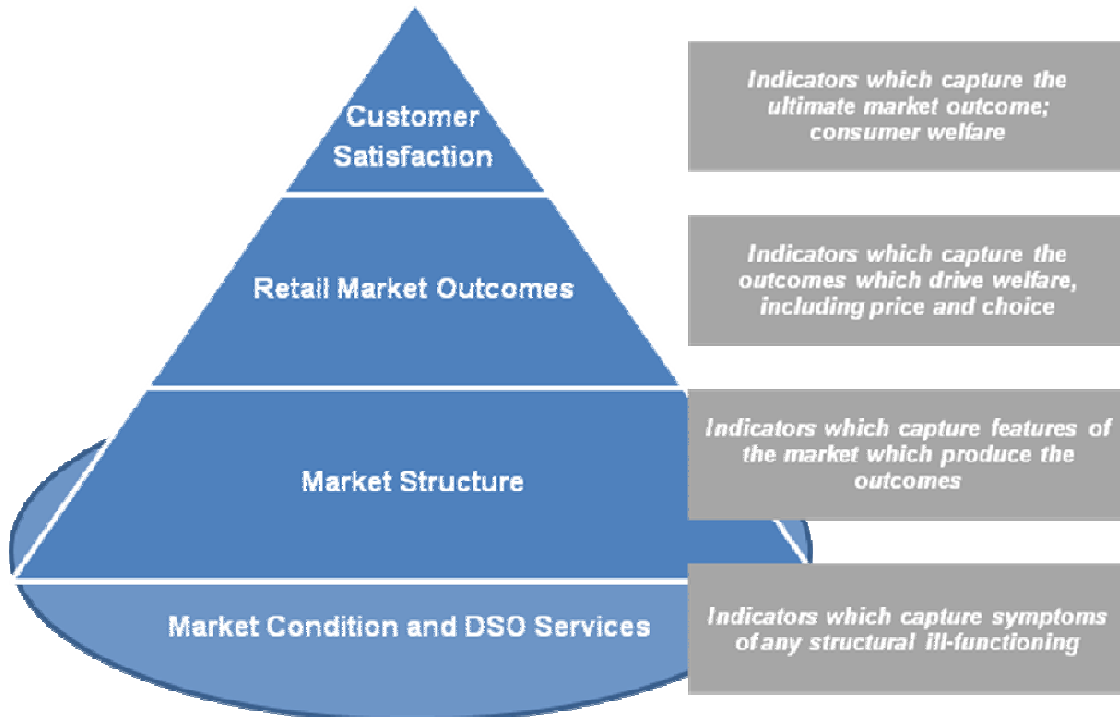


Figure 1: Identified areas for retail market monitoring and how they relate

2.1 Customer satisfaction

The customer's experience is both a key market output and an indicator of the health of the market overall. It is the customer's engagement with the market that drives the benefits of competition – therefore NRAs are encouraged to observe indicators which help build a comprehensive picture of customer satisfaction. Information on customer complaints, customer enquiries and customer information would together build a picture of how satisfied the energy customer is. ERGEG recognises that monitoring of complaints and enquiries will imply some changes in administrative procedures for suppliers, DSOs and other relevant stakeholders, depending on which level of granularity is chosen for collecting data.

INDICATOR 1: Number of customer complaints by category

By definition, a customer complaint is the expression of a customer's dissatisfaction. In this report, ERGEG assumes that this expression is addressed to the provider of gas or electricity (supplier or distributor) or any other third party such as NRAs, Competition & Consumers' Affairs Authority/Ministry and Ombudsman, etc.

Every complaint, regardless of the form of expression (letter, email, phone call or in person), should be taken into account.

Implementation

ERGEG suggests that data **on the number of complaints is collected at least annually from DSOs, suppliers and third party bodies depending on which sources are considered most suitable**. The identified sources should **specify the month in which the complaint was received** to enable identification of any correlation with market events. More than one source might be required to put together a full picture. For example, complaints data from DSOs and suppliers should be considered alongside data from independent consumer bodies.

In 2010, ERGEG has published GGP on Customer Complaint Handling, Reporting and Classification. ERGEG suggests these GGP are applied to data collection activities at least with regard to level 1 as outlined in the GGP on Complaint Handling (see ERGEG classification system in Annex 3).

ERGEG suggests that the NRA, when analysing results, does not consider complaints data in isolation from other indicators. For example, low numbers of complaints coupled with a low switching rate could indicate a lack of engagement with the market. A low number of complaints itself already indicates a lack of engagement.

While complaints data is important to detect malfunctioning, the absence of complaints does not always mean that there are no problems. In some markets, customers have a low tendency to complain even though they experience problems.³

³ http://ec.europa.eu/consumers/strategy/docs/2nd_edition_scoreboard_en.pdf p.9

Finally, it is ERGEG's opinion that one-off research projects, e.g. in depth surveys or focus groups, could add significant value as an addition to NRAs' routine monitoring in this area.

INDICATOR 2: Number of customer enquiries

By definition, a customer enquiry is a request for information and advice, other than a complaint. In this report, ERGEG assumes that this expression is addressed to a body which is a relevant point of contact for customers with energy queries. Every enquiry, regardless of the form of expression (letter, email, phone call or in person), should be taken into account.

By classifying customer enquiries, the NRA can derive more information on their nature. Since customer complaints and customer enquiries are similar data serving an understanding of the same aspect of the market, the enquiries could be categorised into the same broad categories as customer complaints (see ERGEG classification system in Annex 3).

Implementation

ERGEG suggests that data **on the number of enquiries is collected at least annually from DSOs and/or suppliers and/or third party bodies depending on which sources are considered most suitable. The source should specify the month in which the enquiry was received, and should ideally classify enquiries by type.** More than one source might be required to put together a full picture.

ERGEG considers that this indicator is most valuable when combined with others, since the number of customer enquiries does not by itself suggest good or poor functioning of the energy market. For greater insight, the NRA should consider the type of enquiries being received, alongside other indicators related to the retail market. For example, low numbers of customer enquiries coupled with high switching rates could suggest that the switching process is working well.

Finally, it is ERGEG's opinion that one-off research projects, e.g. surveys or focus groups, could add significant value as an addition to the NRA's routine monitoring in this area.

INDICATOR 3: Is there a reliable tariff comparison website available for customers?

A comparison website is a website where prices and/or offers from a range of electricity and/or gas suppliers are made public. In some cases, they are run by the NRA, in others there are commercial solutions.

Implementation

ERGEG suggests that **the existence of reliable comparison websites is tracked annually.** By "reliable," ERGEG requires that:

1. Information is correct and not misleading;
2. If bills are calculated, this calculation should be based on clear and transparent assumptions; and

3. Key information related to the tariff (e.g. type of contract, duration of any discounts) is clearly presented to the customer.

ERGEG suggests that the quality of the information could be looked into for greater insight. This could relate to the number of suppliers represented, number of offers, number of customers visiting the websites, etc.

However, ERGEG believes that customer information by itself is not a sufficient indicator of how well retail markets are likely to function. The provision of customer information should be monitored alongside other indicators of engagement, such as complaints, enquiries and switching rates to build a more complete picture of the extent to which customer activity is likely to be driving competitive outcomes. ERGEG recognises that concerns about a lack of widespread internet use are potentially valid; however ERGEG finds that the suggested indicator would give insight and is feasible.

2.2 Retail market outcomes

The indicators in this chapter are intended to capture the key elements of the customer's experience – i.e. the prices and choices that the market produces. In that sense, these indicators will in part drive those we have seen in the previous section regarding customer satisfaction.

In Directives 72/2009 and 73/2009: Article 37 (j) (electricity) and Article 41 (j) (gas), the following legal obligation is set upon the NRAs: The duty to monitor the level and effectiveness of market opening and competition at retail levels including on *prices for household customers including prepayment systems*. ERGEG has identified several possible indicators to fulfil this duty.

ERGEG recognises that Member States currently report national energy prices to Eurostat⁴ (the EU's statistical office), however this is based on a standardised methodology which ERGEG does not consider will best reflect the actual price paid by the average household in each Member State.

Therefore, when looking at the conditions surrounding pricing in the Member State, the NRA should first of all – when applying the indicators below - *define the typical customer*, as defined nationally under the 3rd Package. This could be based on the most typical contract and/or by consumption level. The monitored price should reflect the most common national offer, or an average of offers available if this is considered nationally more appropriate.

In this document, ERGEG refers to end-user price as the energy price the customer pays, excluding network charges and taxes. This section is therefore focused on indicators from the perspective of monitoring competition; however ERGEG recognises that for the customer the total price paid is of key importance.

According to Regulation (EC) No 713/2009 establishing an Agency for the Cooperation of Energy Regulators (ACER), ACER also has a duty to monitor retail prices. Article 11.1 states “(ACER), in close cooperation with the Commission, the Member States and the relevant national authorities, shall monitor the internal markets in electricity and natural gas, in particular the retail prices of electricity and natural gas...” The following recommendations concerning pricing indicators are intended to support this function.

INDICATOR 4: End-user price for typical household customer

Concerning end-user prices for prepayment system users, NRAs need to decide whether they want to include the prepayment systems in the indicator or compute a stand-alone indicator for prepayment systems. This of course depends on the prevalence of prepayment systems for typical household customers in a particular Member State. NRAs could also calculate, at their discretion, end-user prices for specific groups – e.g. vulnerable customers.

⁴ http://epp.eurostat.ec.europa.eu/portal/page/portal/energy/data/main_tables

Implementation

EREGG suggests that **end-user prices are calculated using data from suppliers, or other available sources, at least every quarter.** However, EREGG recognises that currently, annual monitoring may be the only feasible frequency, depending on national circumstances.

The choice of method should be consistent over time

EREGG suggests that end-user price is considered alongside other important market outcomes (e.g. price spreads and diversity of contracts) and indicators of engagement (e.g. customer enquiries and switching rates) to build up a more complete picture of the health of competition. EREGG also considers that assessing retail margins, based on end-user prices and wholesale prices, could be an insightful ad-hoc extension to this indicator. EREGG believes that the calculation of end-user prices for specific customer groups (e.g. vulnerable customers) can be insightful as a part of a more in depth survey of the indicator.

INDICATOR 5: Price spread on comparable products for typical household customer

By definition, a price spread is the difference between the most expensive and the cheapest comparable offer (i.e. equivalent contract type) that a household customer can achieve at the same point in time.

Implementation

EREGG suggests that **price spread is calculated at least annually using price data from suppliers or an independent source.** However, EREGG believes it is important to observe the price spread throughout the year, and also to monitor its development over time. Similarly, if there is regional variation in tariff availability, then the price spread should be calculated on a regional basis, and the national average should be weighted accordingly.

EREGG suggests that the price spread is considered in the context of other factors, such as market concentration.

INDICATOR 6: Number of available contracts to typical household customer

This should reflect the number of different contracts that are available for a typical household customer to sign up to at a particular point in time.

Implementation

EREGG suggests monitoring **the number of contracts available to the average household customer at least annually. This should be collected on the same date each year to aid comparability, using data from suppliers or an independent source (e.g. a price comparison website).**

To develop further insights from this indicator, **EREGG suggests monitoring the nature of variation among contracts.** It may also be insightful to monitor **whether the variety of**

contracts varies for different groups of customers e.g. vulnerable customers. Further, results should be considered alongside data on customer engagement and satisfaction such as complaints figures and switching rates.

INDICATOR 7: What percentage of customers is eligible to receive a regulated end-user price⁵? What percentage of eligible customers is served under regulated end-user prices?

By definition, a regulated end-user price is a price subject to regulation by a public authority, as opposed to an end-user price set exclusively by supply and demand. However other groups, now mentioned in the footnote below, might be of interest for monitoring purposes.

For the purposes of this indicator, the definition of end-user price regulation is restricted only to where these prices are available to all customers. In some Member States, prices may be regulated for vulnerable customers only – however the limited access to these tariffs and their specific purpose means that they are not considered here.

Implementation

Where applicable, **ERGEG suggests information about regulated end-user prices is collected annually and following the existing methodology required for data submission for the National Reports to the European Commission.**

⁵ End-user energy price regulation can refer to:

- all customers within a certain customer category (“universal service” supply, “default” supply, temporary emergency supply etc.)
- specific vulnerable customers
- customers who have lost their supplier

2.3 Market structure

The following indicators are intended to capture the features of the market which are driving the outcomes we have observed in the previous section. In other words, these indicators concern how the market is put together – e.g. how many suppliers are operating, and the market power of each supplier.

INDICATOR 8: Number of active suppliers that are selling electricity and/or gas to household customers across the same market

Implementation

ER GEG suggests that **information about the number of active suppliers in total and the number of active suppliers that supply customers nationwide is collected annually**, in line with the existing methodology required during collection for the National Reports. ER GEG believes that it is important to look at the number of suppliers (and their customer numbers – as captured in indicator 9: market shares by number of customers and consumption – over time to analyse the development of the retail market.

ER GEG does not believe that monitoring the number of suppliers is by itself an insightful indicator of the strength of competition in a retail market. Therefore, this should be considered in the context of a wide range of other indicators including price spreads, market concentration and switching rates.

INDICATOR 9: Market shares by number of customers and consumption

There are several ways to consider market share in order to derive insights on market concentration. Principal examples are given in Table 2.

Market Concentration Indicator	Meaning	Calculation
Concentration ratio index (CR)	Summarises the extent to which the largest few suppliers control supply, e.g. CR ₃ is the addition of the 3 largest suppliers market shares.	$CR_n = MS_1 + MS_2 + \dots + MS_n$ <p>Where n is the number of largest suppliers that the CR will apply to, MS₁ is the market share of the largest supplier, MS₂ is the market share of the second largest and so on.</p> <p>Market share could be calculated by energy consumption volume or by number of customers or metering points.</p>
Herfindahl-Hirschman index (HHI)	HHI number indicates the degree of concentration in the market overall. A HHI number is calculated which ranges from 0 to 10,000. If HHI falls towards 0 the number of firms tends to infinity. If a single firm supplied the market, the HHI is 10,000. A HHI between 1,000 and 2,000 typically indicates moderate	$HHI = MS_1^2 + MS_2^2 + \dots + MS_n^2$ <p>Where n is the number of suppliers in the market and MS is the market share of each supplier.</p> <p>Market share could be calculated by energy consumption volume or by</p>

	concentration, with 2,000 indicating a concentrated market.	number of customers.
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Table 2: Common measures of market concentration

Implementation

ERGEG suggests annual calculation of the Concentration Ratio (CR), in line with the requirements for the National Reports and according to consideration of what the relevant market for calculation is (e.g. several fragmented regional markets could require separate calculation). ERGEG recommends that market shares are based on the number of customers and consumption.

ERGEG also suggests that a Herfindahl-Hirschman Index (HHI) is calculated at least annually using data from suppliers and DSOs, and that the two indicators (CR+HHI) are monitored together to build a picture of market concentration over time.

If market concentration is considered to be possibly too high – then contributory factors should be considered. For example, whether barriers to entry are high, perhaps as a result of regulatory requirements, or of illiquidity in the wholesale market, which can also be measured.

Further, since market concentration alone is not necessarily an indicator of how well the market is functioning, it is important that the results are analysed alongside indicators of customer engagement and overall welfare such as end-user price, switching rate and customer complaints.

INDICATOR 10: What percentage of customers is served by a DSO that has separate branding from the supply branch of its vertically-integrated undertaking?

ERGEG finds that **the criteria for separate branding can be nationally defined.**

Implementation

This could be assessed annually using meter point numbers from DSOs identified as having separate branding **on an annual basis**. Results should be considered alongside other indicators of the effectiveness of competition and overall market welfare.

This monitoring could be followed by more in depth surveys looking at the following questions:

What percentage of customers is served by a DSO that:

- does not have separate branding from the supply branch of its vertically-integrated undertaking?
- is totally separate from the supplier of that customer?

Vertically-integrated DSOs shall not, *in their communication or branding*, create confusion in respect of the separate identity of the supply branch of the vertically-integrated undertaking⁶. The degree of neutrality and distinction between brands is therefore a condition that could imply whether the market is transparent or not. If DSOs operate under the same brand as the supplier (or vertically-integrated company) this limits the understanding of the roles of the different market players among customers and may create confusion. Some respondents to the public consultation document argued that these requirements would suffice in themselves. However, ERGEG considers that it would not be self-evident to NRAs that branding met the requirements of the 3rd Package, and therefore even if implementation of the 3rd Package resulted in improvements – these would have to be monitored.

2.1 Market condition and DSO services

The following indicators complement those we have observed so far regarding market structure and outcomes. They concern how well mechanisms are functioning – e.g. are customers switching and are issues such as repairs and connections quickly addressed. Well functioning mechanisms should help a well structured market to deliver beneficial outcomes, and therefore high levels of customer satisfaction. Further, ERGEG recognises that customers' interaction with non-competitive elements of the market forms a part of their overall experience.

INDICATOR 11: Number of switches for household customers as a percentage of customer numbers

By definition, switching supplier is the action through which a customer acts and changes his/her supplier – the meter point associated with a household must be re-registered with a different supplier.

A customer moving residence should only be recorded as a switch if a customer switches to a different supplier. Changes of supplier resulting from a merger are excluded. Also, a change of tariff with the same retailer is not equivalent to a switch⁷.

Implementation

ERGEG suggests that data on the number of switches is collected on at least a quarterly basis from DSOs or suppliers. However, ERGEG recognises that currently annual monitoring may be the only feasible frequency, depending on national circumstances.

ERGEG suggests that the nature of switching is considered in greater detail – quality as well as quantity is important, since customer decisions will only exert a positive competitive constraint if they are well informed. However, ERGEG suggests that this is observed on a less frequent basis and could perhaps be investigated using ad hoc surveys, for example

⁶Article 26.3 (electricity and gas) in the 2009 Directives

⁷ This exclusion extends to: changing to a new tariff; changing from a regulated to a non-regulated tariff or vice versa with the same supplier or a subsidiary of the same supplier.

capturing whether customers make a saving, typologies of customers, reasons for switching/not switching and the selling method used.

Further, switching rates cannot be considered in isolation in order to derive conclusions regarding market functioning. NRAs are encouraged to consider them alongside other indicators of market outcomes (e.g. end-user price) and engagement (e.g. customer enquiries) and other indicators of (in)effective market functioning (e.g. failure to complete a switch).

INDICATOR 12: Number of renegotiated contracts for household customers as a percentage of customer numbers

A customer renegotiation is defined as changing to a new contract (excluding the automatic renewal of the current contract) with the existing electricity or gas supplier.

Implementation

ERGEG suggests that **data on renegotiations is collected at least annually from suppliers and/or customer surveys.**

INDICATOR 13: Number of delayed switches

A delay in the switching process occurs where the switching time exceeds the nationally stated time frame for the switching process. However, in future the timeframe should not be longer than three weeks – where the start and end points are subject to definitions set out as part of national implementation of the 3rd Package.

Implementation

ERGEG suggests that **data on the number of delayed switches is collected from the DSOs at least annually, and where possible, that reasons for the delay are also provided.** ERGEG also recognises that the length of delays will offer an insight regarding the potential severity of any malfunctioning in the switching process. ERGEG recognises that the reasons for delays might, in some cases, be a result of contractual issues. The reasons for delays could therefore be a part of an in depth survey of this indicator.

This indicator should be considered alongside other indicators of market engagement and customer experience, such as switching rates, failure to fulfil the switch and time taken for connections and repairs.

INDICATOR 14: Number of failures in relation to the total switching rate

A failure to fulfil the switch occurs when a switch is not completed.

Implementation

ERGEG suggests data on the number of failures to fulfil the switch is collected at least quarterly from suppliers or DSOs. However, ERGEG recognises that currently annual

monitoring may be the only feasible frequency depending on national circumstances. ERGEG suggests that reasons are logged and categorised. However, because the legitimate grounds for rejecting a switch vary by Member State, these GGP do not attempt to define these categories.

The reasons for failures could vary, and may not be caused by malfunctioning of the market activities, therefore ERGEG suggests that the cause for failure could be a part of an in depth survey of this indicator. This indicator is not, by itself, indicative of how well the market is functioning. However it is an indicator of whether the switching process – one of the key mechanisms in a competitive market – is operating effectively, and should therefore be seen as a complement to switching rates and delays in switching.

The choice of method should be consistent over time.

INDICATOR 15: Average time between a connection being requested by a customer and completed

The start and end points are subject to national definition and the timeframe applied should be relevant to national circumstances.

Implementation

ERGEG suggests that information on connection times is collected at least annually from DSOs. An average time should be calculated, as suggested. However the calculation of ranges could provide useful insight. ERGEG also supports the idea of developing defined quality of service obligations for connections.

Times until connection should be monitored alongside other indicators of customers' experience, for example complaints data.

INDICATOR 16: Average time until repair

This indicator should be calculated where customers' supplies have been affected. The start and end points are subject to national definition and the timeframe applied should be relevant to national circumstances.

Implementation

ERGEG suggests that information on repair times is collected at least annually from DSOs. An average time should be calculated, as suggested. However, the calculation of ranges could provide useful insight. ERGEG also supports the idea of developing defined quality of service obligations for repairs in order to further safeguard the customer.

ERGEG considers that this indicator could be considered alongside a System Average Interruption Duration Index (SAIDI) or a Customer Average Interruption Frequency Index (CAIFI) where these are currently collected.

Times until repair should be monitored alongside other indicators of customers' experience, for example complaints data.

INDICATOR 17: Relative number of disconnections

Disconnection is described as the action of interrupting delivery of energy to a point of supply. This action can be initiated by the supplier or the network operator.

Since there could be various reasons for disconnection, and some fall outside of the supplier's/DSO's control (for example financial reasons, customer moving, damage to the network caused by the customer or damage caused by weather), the reasons behind disconnections should also be declared.

A helpful classification could be whether a disconnection was caused by customer or supplier activity, or by the DSO.

Implementation

ERGEG suggests that **DSOs report at least annually on the total and relative number of disconnections**, divided into those which are initiated by the supplier and the DSO. DSOs should be required to specify the number of disconnections which occurred in each month of the year.

This indicator should be considered alongside others concerning the effective functioning of the market, such as time taken for connections and repairs, and data on maintenance services, as well as alongside indicators of customer experience, such as complaints.

INDICATOR 18: 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**

The time taken for maintenance services also refers to the duration of the interruption, i.e. the clock starts when the service is interrupted.

Implementation

ERGEG suggests that data on the **existence of charges for maintenance services**, the **time taken for maintenance services** and the **average charge** should be collected **at least annually from the relevant maintenance providers**.

ERGEG also supports the idea of developing quality targets for the time taken to perform maintenance services, since this would help to protect consumer welfare.

This indicator should be considered alongside others concerning the effective functioning of the market, such as time taken for connections and repairs, and disconnection rates, as well as alongside indicators of customer experience, such as complaints. ERGEG considers that this indicator could be considered alongside SAIDI or CAIFI indices where these are currently collected.

3 Conclusion

In conclusion, ERGEG anticipates that these recommendations will provide a framework within which monitoring activities are to be further developed. The recommendations outlined above and summarised in Table 3 below, are intended to support effective and insightful retail market monitoring. However, there are several points which should be noted:

- Significant benefit is gained from analysing a wide range of indicators; none should be considered in isolation and the links between indicators should be considered;
- Results should be understood in relation to national circumstances and within the context of a qualitative understanding of the market;
- The indicators by themselves are insufficient to derive conclusions about the functioning of the market – the aim is to highlight areas where deeper investigation might be required;
- The indicators identified are not intended to preclude additional independent monitoring, though this should always seek to balance the insights delivered with the costs of collection; and
- All indicators should be considered within the context of a qualitative understanding of the market.

The results of the public consultation have been duly evaluated and where applicable integrated into these final GGP. The final version is intended to provide recommendations on future monitoring for use by NRAs and ACER.

Category	No.	Indicator	Frequency	Data Source
Customer satisfaction	1	Number of customer complaints by category	At least annually	Suppliers, DSOs and relevant 3 rd party bodies
	2	Number of customer enquiries	At least annually	Suppliers, DSOs and relevant 3 rd party bodies
	3	Is there a reliable price comparison website available for customers?	At least annually	Research
Retail Market outcomes	4	End-user price for typical household customer	Quarterly, if feasible	Research / suppliers
	5	Price spread on comparable products for typical household customer	At least annually	Research / suppliers
	6	Number of available contracts to typical household customer	At least annually	Research/ suppliers
	7	Percentage of customers eligible to receive a regulated end-user price Percentage of eligible customers supplied under regulated end-user prices	At least annually	Research / suppliers
Market structure	8	Number of active suppliers that are selling electricity and/or gas to household customers across the same market	At least annually	NRA
	9	Market shares by number of customers and consumption	At least annually	Suppliers / DSOs
	10	What percentage of customers is served by a DSO that has separate branding from the supply branch of its vertically-integrated undertaking?	At least annually	Customer research
Market condition	11	Number of switches for household customers	At least	Suppliers / DSOs

Category	No.	Indicator	Frequency	Data Source
and DSO services		as a percentage of customer numbers	quarterly, if feasible	
	12	Number of renegotiated contracts for household customers as a percentage of customer numbers	At least annually	Suppliers / DSOs/ customer surveys
	13	Number of delayed switches	At least annually	DSOs
	14	Number of failures in relation to the total switching rate	At least quarterly, if feasible	Suppliers / DSOs
	15	Average time between a connection being requested by a customer and completed	At least annually	DSOs
	16	Average time until repair	At least annually	DSOs
	17	Relative number of disconnections	At least annually	DSOs
	18	Is there a charge for execution of maintenance services? Average time taken for execution of maintenance services Average charge for execution of maintenance services	At least annually	Relevant maintenance providers

Table 3: Summary of recommendations

ANNEX 1 – Tables and figures

Electricity references refer to Directive 2009/72/EC of the European Parliament and of the Council of 13 July 2009 concerning common rules for the internal market in electricity.

Gas references refer to Directive 2009/73/EC of the European Parliament and of the Council of 13 July 2009 concerning common rules for the internal market in natural gas.

Category	No.	Indicator	Legal Obligation (Electricity)	Legal Obligation (Gas)
Customer Satisfaction	1	Customer complaint	2009/72/EC Art. 37 (j)	2009/73/EC Art. 41 (j)
	2	Customer enquiries	...	...
	3	Customer information	...	...
Retail Market Outcomes	4	End-user prices	2009/72/EC Art. 37 (j)	2009/73/EC Art. 41 (j)
	5	Price spread	2009/72/EC Art. 37 (j)	2009/73/EC Art. 41 (j)
	6	Diversity of contracts	...	...
	7	Regulated end-user prices	...	...
Market Structure	8	Number of suppliers	...	...
	9	Market concentration	...	...
	10	Branding	2009/72/EC Art. 26.3	2009/73/EC Art. 26.3
Market Condition and DSO services	11	Switching rates	2009/72/EC Art. 37 (j)	2009/73/EC Art. 41 (j)
	12	Renegotiations	...	...
	13	Delays in switching process	2009/72/EC Art. 3.5 (a)	2009/73/EC Art. 3.6 (a)
	14	Failure to fulfil the switch	...	...
	15	Connections	2009/72/EC Art. 37 (m)	2009/73/EC Art. 41 (m)
	16	Repairs	2009/72/EC Art. 37 (m)	2009/73/EC Art. 41 (m)
	17	Disconnection rates	2009/72/EC Art. 37 (j)	2009/73/EC Art. 41 (j)
	18	Maintenance services	2009/72/EC Art. 37 (j)	2009/73/EC Art. 41 (j)

Table 4: Summary of legal obligations related to the indicators

ANNEX 2 – Samples of ERGEG member and observer country activities relating to retail market monitoring

Austria, E-Control

<http://www.e-control.at/de/publikationen/marktberichte>

Belgium, CREG

<http://www.creg.info/pdf/Presse/2009/compress28042009fr.pdf>

France, CRE, Market Observatory

http://www.cre.fr/fr/marches/observatoire_des_marches

Germany, Bundesnetzagentur

http://www.bundesnetzagentur.de/cln_1912/DE/Presse/Berichte/berichte_node.html

Great Britain, Ofgem, Energy Supply Probe Initial Findings Report, October 2008

<http://www.ofgem.gov.uk/Markets/RetMkts/ensuppro/Documents1/Energy%20Supply%20Probe%20-%20Initial%20Findings%20Report.pdf>

Ireland, CER, Quarter 3 2009 Update on the Retail Electricity Market

<http://www.cer.ie/en/electricity-retail-market-current-consultations.aspx?article=dd5e4819-673c-46d7-90e3-98384cef26bc>

Italy, AEEG, Statistical data on electricity and gas markets

http://www.autorita.energia.it/it/dati/dati_statistiche.htm

The Netherlands, Nma Energiekamer

http://www.energiekamer.nl/nederlands/actueel/persberichten/Persberichten_2009/3_5_09_NMa_in_onderzoek_naar_energiemarkten_Consument_laait_geld_liggen.asp

Nordic Market report 2010

http://www.nordicenergyregulators.org/upload/Reports/Nordic_Market_Report2010.pdf

Portugal, ERSE, Monthly report on the liberalised market

<http://www.erse.pt/pt/electricidade/liberalizacao/sector/informacao/sobre/mercado/liberalizado/Paginas/default.aspx>

Spain, CNE, Annual report of electricity market monitoring 2008-2009

http://www.cne.es/cne/Publicaciones?id_nodo=344&accion=1&soloUltimo=si&slidCatt=23&keyword=&auditoria=F

Sweden, Energy Markets Inspectorate

<http://www.ei.se/For-Energikunder/EI/Statistik-om-energimarknadena/>

ANNEX 3 – ERGEG complaint handling classification system

ERGEG proposal for a consumer complaint classification system

- Energy specific categories of complaints
- Categories of complaints already existing within EC classification
(not exhaustive, given as examples)

type of business that may be involved		Level 1	Level 2
DSO	Supplier		
		Connection to the grid	Tariff
			Delay
			Obstacles to connection
			Other
		Metering	Meter reading
			Meter functioning
			Other
		Quality of supply	Voltage quality of supply (electricity)
			Continuity of supply (outages)
		Other	
		Unfair Commercial Practices	
		Contracts and sales	Unfair contractual terms / change of contractual terms
			Lack of information
			Order confirmation (not received/wrong)
			Cooling-off period / Right of withdrawal
		Payments (e.g. prepayments and instalments)	
		Rescission of contract	
		Minimum contractual period	
		Other issues related to contracts and sales	
	Activation	Moving in	
		Reconnection after disconnection	
	Disconnection due to no or late payment		
	Invoicing / billing and debt collection	Incorrect invoice / bill	
		Unclear invoice / bill	
		Non issue of invoice or difficult access to invoice/monthly statement	
		Unjustified invoicing / billing	
		Debt collection	
		Other issues related to invoicing/billing and debt collection	
	Price / Tariff	Price / tariff change	
		Price discrimination	
		Tariff transparency (unclear, complex)	
		Social Tariff	
		Other issues related to price/tariff	
	Redress		
	Provider change / switching	Delay	
		Unwished switch	
		Other	
	Customer service		

ANNEX 4 – List of abbreviations

Term	Definition
ACER	Agency for the Cooperation of Energy Regulators (the Agency)
CAIFI	Customer Average Interruption Frequency Index
CEER	Council of European Energy Regulators
CR	Concentration Ratio
DG	Directorate General (of the European Commission)
DSO	Distribution System Operator
ERGEG	European Regulators' Group for Electricity and Gas
GGP	Guidelines of Good Practice
HHI	Herfindahl-Hirschman Index
MS	Market Share
N	No
NRA	National Regulatory Authority
SAIDI	System Average Interruption Duration Index
Y	Yes

ANNEX 5 – CEER and ERGEG

The Council of European Energy Regulators (CEER) is a not-for-profit association in which Europe's independent national regulators of electricity and gas voluntarily cooperate to protect customers' interests and to facilitate the creation of a single, competitive, efficient and sustainable internal market for gas and electricity in Europe. CEER acts as a preparatory body for the European Regulators' Group for Electricity and Gas (ERGEG).

ERGEG is the European Commission's formal advisory group of energy regulators. ERGEG was established by the European Commission, in November 2003, to assist the Commission in creating a single EU market for electricity and gas. ERGEG's members are the heads of the national energy regulatory authorities in the 27 EU Member States.

The work of CEER and ERGEG is structured according to a number of working groups, composed of staff members of the national energy regulatory authorities. These working groups deal with different topics, according to their members' fields of expertise.

This report was prepared by the Retail Market Functioning Task Force of the Customer Working Group.