

TRANSPARENCY OF PRICES

COMMENTS IN RESPONSE TO THE ERGEG BEST PRACTICE PROPOSITION

Introduction

Eurogas considered with interest the report last autumn by the ERGEG Customer Focus Group on Transparency of Prices, Bills and Contracts. We recognise that effective competition in the domestic market depends on customers having clear information about suppliers' prices and contractual terms, and generally welcome the production of Best Practice proposals in this area.

We believe that domestic customers have a right to transparent information on prices, terms and conditions, and wish to comment specifically on the following topics raised in ERGEG's best practice proposition:

- provision of information
- clarity of contracts and bills
- supply and network prices
- price publication and price comparison
- 'tariff calculators'

In addition, we would reiterate the comments in our Consumer Protection response related to the scope of this best practice proposition. In principle we believe that these best practice proposals should be confined to the domestic sector, rather than relating to the retail market as a whole (paragraph 14).

Provision of Information

Eurogas agrees that customers should have access to clear information about the services they are being offered, the prices and other contractual conditions.

In a competitive market, suppliers will compete for customers on price and services, as well as in other areas. This means they will naturally want to provide the customer with details of their prices and any other promotional offers.

In general, the focus in the domestic market should be that the customer is made aware of all applicable terms and conditions (not just the headline price) in order that the customer's decision can be well informed. However in advertising or promotional material, only the principal terms need to be stated, provided there is reference to the full terms and conditions and where they can be found.

Clarity of contracts and bills

Eurogas believes that customers should be able to understand with whom they are dealing and the nature of their possible commitment. It is therefore important that sales contracts which the domestic customer enters into are as clear as possible and state prominently that the customer is entering into a formal contract. The terms and conditions must be in plain language and the pricing information clearly presented.

Similarly we believe that bills should be presented in a clear manner, in a form which does not confuse the customer.

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.

Transparency

With regard to transparency of bills (paragraphs 36 – 40), Eurogas agrees with the general principle that information on prices should be presented in a clear and transparent way (paragraph 37). However the rest of paragraph 37 and 38 proposes a level of detail which may be confusing or impractical to provide e.g. two levels of price information, inclusion of average consumption.

Eurogas believes that it should be clear that any detailed requirements in this area are for Member States to determine, and we therefore urge ERGEG to limit the wording of these paragraphs to the general principle, rather than recommending specific approaches which are unsuitable or inappropriate for many Member States.

On the particular issue of supply and network prices, we are not clear what the best practice proposition is recommending. Reference is made at paragraph 10 and 16 to the separation of energy and network prices and charges, yet ERGEG also notes that only a minority of respondent countries separate energy prices from distribution prices. Eurogas does not believe that separate pricing should be required or that it is necessarily useful, particularly where tariffs are not constructed in this way.

Price publication and price comparisons

Suppliers in the domestic market will generally wish to draw attention to their prices and promotional offers, in advertising and through other means. Eurogas agrees with ERGEG that generally accepted principles, agreed by suppliers, are needed to define the way prices to domestic customers are presented to such customers and price claims made.

In the interests of transparency in the domestic market, it is essential that any advertised prices/savings are presented fairly and in a way that assists the customer to make comparisons, while recognising that other factors e.g. customer service may also be a differentiator. It is therefore useful for industry players to agree a standard methodology for this, as ERGEG suggest, which can be generally accepted and adopted by suppliers, so as to help ensure fairness in advertised comparisons; work by Eurostat may be a possible starting point for determining a suitable voluntary basis for this.

However any standard methodology will necessarily be a simplification of how suppliers' tariff offerings compare in a competitive market.

Given the wider range of customer circumstances in the SME sector, this approach is not suitable outside the domestic market

'Tariff calculator'

As acknowledged in paragraphs 32 – 35, customers will often value having information specific to their circumstances, and websites may emerge to provide such a service, presenting the prices offered by different suppliers. Websites may be set up by consumer bodies or by other organisations.

Any website which claims to offer an independent source of price comparisons has a special responsibility in the competitive market. Such sites must be kept up-to-date and should present price comparisons in a factual and impartial manner.

It must be recognised that sites of this kind are often financially supported by commission payments made by suppliers who gain business as a result of these sites. This fact must not be allowed to undermine the accuracy or impartiality of the comparisons made by the site, and the customer should be made aware if the site will receive commission if the customer switches to a particular supplier.

In general we do not believe it is good practice for the regulator to be identified directly with a particular website or to assume responsibility for the content of websites. Thus we do not believe that the regulator should promote a particular website (paragraph 35).

However, as ERGEG (paragraph 34) suggest, some form of accreditation is desirable, to provide the customer with reassurance as to the accuracy and impartiality of the comparisons made by these websites.