

Nordenergi's¹ comments on the ERGEG best practice propositions

Nordenergi has received the ERGEG best practice propositions with great pleasure. It is of great importance that this work has been done, and will continue.

General remarks

These propositions are of great value for the member states to create functioning electricity and gas retail markets before July 1, 2007. As shown in the previous ERGEG Customer Focus Group status reports on the same areas (customer protection, switching, price transparency), member states apply very different rules and practices. There is room for further harmonisation in these areas.

The propositions also illustrate the need for clear roles and responsibilities for the customer, the distribution system operator (DSO) and the supplier. The areas of liability must be respected when market reforms are designed and implemented, in order to have a functioning market. The DSO should not be given responsibilities that actually make the DSO a matter of fact supplier for some customers.

We believe that ERGEG should continue this valuable work in all the areas of customer protection, price transparency and supplier switching. More detailed propositions ought to be given further on. We believe that stakeholders should be continuously involved in the process to deliver good detailed propositions later.

Customer protection

Customer protection is needed also in the electricity market, to make the customer feel confident to act in the market.

Retail energy price regulation is incompatible with an open energy market. You can't create a functioning electricity and gas retail market if the best offer is given within the regulated price system. Any retail energy price regulation schemes should be abolished.

Rules on the so called supplier of last resort should be compatible with the market, including the price setting.

Supplier switching process

Reliable and smooth switching processes are crucial for the electricity and gas retail markets. The ERGEG propositions give a good overview on requirements needed.

A supplier switching process can only be initiated by the customer. It is possible to verify this with a written and signed contract, oral contract and a contract confirmation, or electronic format. If a phone contract is possible when moving, but not when you switch supplier, that might be considered a barrier for

¹ Nordenergi – the Nordic co-operation organisation - joins the industry organisations for electricity producers, suppliers and distributors (Association of Danish Energy Companies, Finnish Energy Industries, Icelandic federation of district heating, electric utilities, and waterworks – Samorka, Norwegian Electricity Industry Association – EBL and Swedenenergy). Our main task is to promote the development of the Nordic electricity market in a European perspective.

switching. The choice of contract format should not be limited in the propositions (report summary, the sixth bullet point, and paragraph 23).

Supplier switching propositions suggest that a customer should be able to terminate a fixed-price, fixed-time contract at any time (liable to pay a fixed fee, paragraph 22). When a customer agrees to take a fixed-price contract, the supplier normally hedges her procurement of energy in a forward market. If a customer is allowed to switch before the contract has expired this would jeopardise the link between the wholesale and retail market.

Several indicators may be used to assess the functioning of energy markets (paragraph 30). One of them, but only one, is the supplier switching activity. A number of other indicators may also be used, like productivity increase, contract renegotiations, number of competing suppliers and offers available, customer satisfaction, barriers to switching, convergence of price zones and convergence of wholesale and retail markets, etc. Assessing electricity and gas markets should not be different from that of other industries.

Price transparency

It would be very difficult to act in a market without access to understandable information on offers and prices. ERGEG propositions give a good picture of what could constitute good prerequisites for needed price transparency.

Concerning price transparency, we would like to draw your attention to the content and design of electricity (and presumably also gas) bills. Bills are full of obligatory information and they are often complicated. Whenever new requirements are considered on additional information in the bills, it is important to know how this will be understood by the consumers.

Fundamental requirements for the service provider' and the customer should be clear and binding in legislation and contract terms,. It is therefore questionable if it is needed that all service providers should have their own codes of conduct (paragraph 23).

The strategic priority "Update 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 the customer has agreed upon such an arrangement.

Based on our experience in the Nordic countries, we want to emphasise that there is no need of strict legal or regulatory restrictions for the choice of media to inform price changes (paragraphs 41 and 42). This can of course be specified in the contract, but we have to stay open for development in information and communication technology in the future.

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On behalf of Nordenergi;

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