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**Statement of the
Verbraucherzentrale Bundesverbandes e.V. (vzbv)**

**On Draft Guidelines of Good Practice on
Indicators for Retail Market Monitoring
ERGEG - Public Consultation Paper**

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The vzbv agrees with the Draft in general. Still in our opinion the draft needs some specifications on concrete items.

Problems in **submarkets** should not be covered by general results. The draft focuses on the level and effectiveness of energy market opening and the development of competitive. Subsections gas and electricity have been born in mind. In our opinion the electricity market should be further divided. Although in Germany a lot of suppliers offer electricity to the consumers, a lack of competition in special submarkets exists. Especially consumers of heating current do not have the option to switch suppliers, because economical offers of new suppliers do not exist. In the market of electricity for heat pumps the same problem exists. A retail market monitoring should separately show the level of market opening and development of competition for submarkets differ from general market.

4.1 – Customer Complaints

The number of complaints in the market is an important category to monitor the retail market. We expect suppliers and DSO's usually will be able and willing to give the right data's to NRA's and have nothing to keep secret. Nevertheless it cannot be ruled out companies might report modified figures to the NRA's. Especially when systematically problems in the organization of companies or a strategy of newcomers cause a large number of complaints the willing to report right data's might be small. A consideration of the experiences of independent parties might help partly. But because a large number of independent parties like NRA's, consumer organizations or price comparison websites where asked of support by consumers a realistic review of the figures seems not guaranteed. At least the insecurity of the data's of suppliers and DSO's has to be taken in consideration when weighting the category for the monitoring.

5.1 – Price increases and price reduction

We do not agree price increases do not indicate the failing of competition at all. A competitive market has impact on the price. The price pressure grows. Price increases would not be enforceable easily. On the other hand there would be a need to reduce the prices when cost reductions open this option, i.e. because wholesale price sink for a relevant time. Therefore price increases and price reductions should be taken into account when monitor the retail market. The knowledge of the number and volume in total and per supplier each year might indicate the current state of the market. The result could be considered alongside other market conditions like development of wholesale prices, retail margin, development of corporate profits or tax increases.

5.4 – Diversity of contracts (offers)

Contracts often vary in small details of contract terms. For example as we know at least four kinds of price guaranties with different scopes exist in used electricity contracts in Germany. And in addition there are a various number of reasonable periods of price guarantees. To monitor the category diversity of contracts it seems to be useful to work out a frame which versions of the same idea should be summarized.

On the other hand the example of price guaranties shows in practice that the large number of offers may confuse the consumer. The consumer might often not get what he expects when he signs a contract with a "price guarantee". The monitoring therefore should allow a critical look at a large number of different contract terms.

6.1 – Number of suppliers

The number of active suppliers in Germany varies between the local markets. Especially in major urban centers the number of active suppliers is larger than in rural areas. A comparatively small number of suppliers provide a delivery in the whole country. Therefore it seems to be necessary to take local markets into account. Also submarkets like electricity for heating current have to be taken into account too, to identify lack of competition and the reasons.

Not at least corporate links should be considered. One of the three main reasons for consumers in Germany to switch the suppliers is to change the company. It has to be taken into account in how many cases the consumer choice guides at least to the same parent company.

6.2 – Market concentration

Also on the category of market concentration it seems to be necessary to take corporate links into account and focus on local markets.

7.1 – Switching rates

According to the draft a customer moving residence should be recorded as a switch if he switches to a different supplier. In our opinion a consumer should only be recorded when he switches to another special contract of another supplier than before. A consumer moving into a region of another DSO may fall automatically in the universal service of another company. But the consumer did not act in the market and therefore should not be an indicator for the development of the market.

7.7 – Disconnection rates

Security of supply and access of the consumer to the energy services are very important outcomes of the market. Both issues may show different problems of the market. Times of interruptions allow statements about the quality of the grid. Disconnections of consumer by DSO's (on demand of suppliers) i.e. for financial reasons may show a lack of competition, energy poverty and deeper social issues. Rapid and appropriate responds will be necessary when a problem appears. But the solutions might be very different.

Thus it seems absolutely necessary to collect the data for security of supply (interruption rate) and access of the consumers to the energy services (disconnection rate by DSO) separately. Also it is necessary to monitor both issues separately.