

CEER

Council of European
Energy Regulators



What should a well-functioning retail energy market look like?

CEER answers in a holistic position paper

Fostering energy markets,
empowering **consumers**.

Patricia de Suzzoni
Brussels, 20 October 2015

Outline

- Background, context and objective of CEER position paper on well-functioning retail energy markets
- A framework made of 2 high-level principles, 8 properties and selected metrics
- Key properties and metrics (supply and demand)
- Next steps following the release of the paper

Background, context and objective of CEER Position Paper

Background and context

- Its origin is in the “**Bridge to 2025**” and our commitment to develop a **roadmap towards well-functioning retail markets to achieve the CEER-BEUC Vision** for Europe’s energy customers
- It builds on **ACER/CEER recent work** (e.g. DSO, Customer data management, European Gas Target Model, annual Market Monitoring Reports, Price Comparison Tools)

Objective

- It addresses and complements issues raised by **the European Commission in the 15 July 2015 Communication on “Delivering a New Deal for Energy Consumers in Europe”**
- It is a **first step** in delivering a framework of what characterises well-functioning retail energy markets
- It proposes a **holistic and forward-looking framework for assessing the performance of retail energy markets**

A framework made of 2 high-level principles, 8 key properties...

1-Competition and innovation

There is a high degree of competition and innovation thrives to the benefit of consumers. DSOs provide quality services and facilitate a level playing field by acting as neutral and efficient market facilitators.

- I. Low concentration relative to their relevant market
- II. Low market entry barriers
- III. Close relationship between wholesale and retail prices
- IV. A range of offers, including demand response



2-Consumer involvement

Consumers are aware of key features of energy markets; they are empowered and are enabled to engage in market activities through which they can acquire further trust in the market and its actors. Energy supply is ensured for all energy users, and vulnerable consumers are provided with extra protection where needed.

- V. High level of awareness and trust
- VI. Availability of empowerment tools
- VII. Sufficient consumer engagement
- VIII. Appropriate protection



...and selected metrics

Many metrics are derived from current resources

(e.g. NRA publications, the annual ACER/CEER Market Monitoring Report and the EC Consumer Markets Scoreboard)

Some metrics are not yet available or are partially available on a pan-European basis.

They have been identified as * **NEW** in the presentation

A limited number of metrics

to be considered collectively for each relevant market, not in isolation, as proxies to measure real circumstances and taking into consideration the stage of market development achieved

Key properties and metrics (Supply)

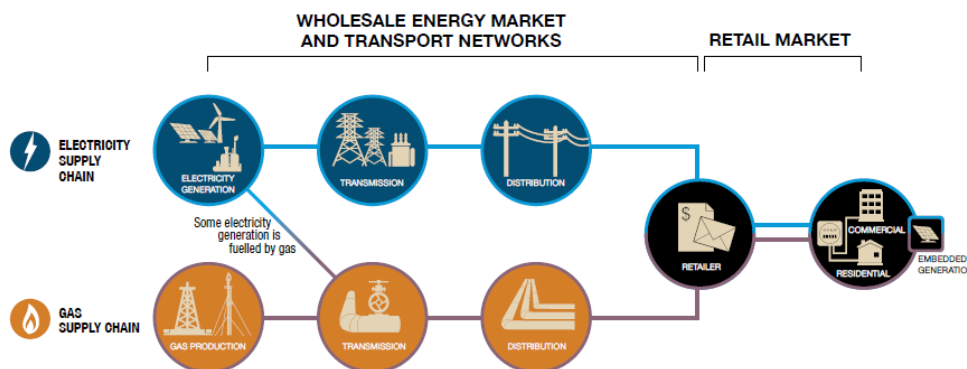
- I. **Low concentration within a relevant market:** With low concentration, the ability of any market player to exploit market power to the detriment of consumers is reduced and consumers can benefit from competition, innovation and customer services.
 1. Herfindahl-Hirschman Index

- II. **Low market entry barriers:** In order to facilitate competition and innovation, barriers to market entry and growth for new market actors, (i.e. suppliers and third parties) as well as barriers for innovation (including demand response) need to be as low as feasible.
 2. Time and cost to access well-functioning wholesale markets and licencing/ balancing regimes * **NEW**
 3. Percentage of consumers connected to “bundled” DSOs * **NEW**
 4. Percentage of consumers with regulated energy prices
 5. Number of common standards for consumer data and for DSO-supplier contract or existence of data hub * **NEW**
 6. Availability of time-of-use metering and - where applicable - additional fee paid by the consumer to be able to get time-of-use prices vs. traditional metering

Key properties and metrics (Supply)

III. Close relationship between wholesale markets and retail prices: Well-functioning retail energy markets are dependent on well-functioning wholesale energy markets. Organised and transparent wholesale markets set the market value of energy as a commodity, thereby providing the foundation for the prices that consumers pay in retail energy markets.

7. Correlation over time between a transparent, market-based wholesale price and the retail energy price
8. Mark-up between wholesale prices and retail energy prices



Key properties and metrics (Supply)

IV. A range of offers including demand response: A well-functioning market is characterised by innovation and a range of products offered to consumers. In general, retailers' ability to offer a range of products and services to customers can be a sign of healthy competition and innovation in the market.

9. Availability of a variety of pricing and billing options * **NEW**
10. Availability of value added services for implicit demand response and self-generation * **NEW**
11. Availability of online offers * **NEW**
12. Availability of contracts guaranteeing the origin of energy
13. Availability of explicit demand response offers * **NEW**



Key Properties and Metrics (Demand)

- V. High level of awareness and trust:** In well-functioning retail markets, most consumers are aware of the most relevant features for engaging in and they trust the market.
14. Percentage of consumers knowing they can switch supplier * **NEW**
 15. Percentage of consumers who know that DSOs are responsible for the continuity of supply and - where applicable - metering * **NEW**
 16. Percentage of consumers trusting the energy market
- VI. Availability of empowerment tools:** The aim of consumer empowerment is to enable consumers to engage effectively with the market. Tools to facilitate this engagement should be in place and should be easily accessible for customers.
17. Percentage of consumers having access to at least one independent and verified price comparison tool * **NEW**
 18. Percentage of consumers having online access to historical consumption information * **NEW**
 19. Percentage of consumers having access to a (and duration of) standardized supplier switching process

Key properties and metrics (Demand)

VII. Sufficient consumer engagement: A well-functioning market is one in which a number of consumers engage with the market.

- 20. Supplier switching rate
- 21. Percentage of inactive consumers * **NEW**
- 22. Percentage of prosumers* **NEW**



VIII. Appropriate protection:

In well-functioning retail energy markets, consumers enjoy an appropriate level of protection and there are specific measures to protect those defined as vulnerable customers.

- 23. Time between notification to pay and disconnection for non-payment
- 24. Number of disconnections due to non-payment
- 25. Percentage of suppliers using minimum standards for key information in advertising and bills * **NEW**



Next steps following the release of the Position Paper

Individual NRAs shall use available metrics for assessing their national markets and identify further needs

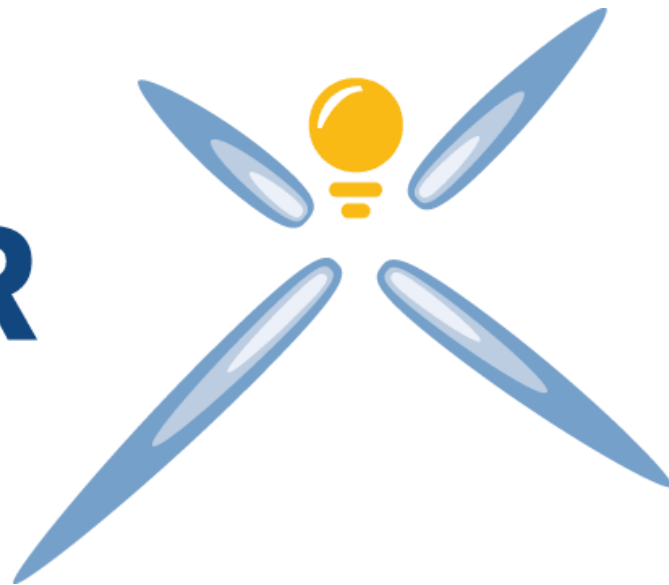
Review the **CEER** framework as a whole and refine the analysis in light of NRAs' experience and **stakeholders'** comments

Define in greater detail the metrics, identify the gaps and develop a Roadmap to 2025 aimed at securing competitive, reliable and innovative retail markets to the benefit of consumers, taking into account the different stages of Member States' present level of retail market development

Views are welcome!

CEER

Council of European
Energy Regulators



www.ceer.eu