

EREGE Workshop on Supplier Switching

How to establish an efficient end-user market? The industry's work on reducing the obstacles for supplier switching

Electricity Suppliers' Views

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Customers at the Centre of Retail Markets!

Electricity retail markets must be based on:

1. Simplicity

- Easy switching
- Good accurate information
- Simple bills

2. Trust

- Contracts are transparent & fair
- No fear in switching!

3. Choice

- Market conditions
- Number of competing offers

...Switching a vital part of making this work!

ERGEG Paper's 3 steps for supplier-switching: EURELECTRIC Perspective

1. Information gathering

- i. mostly the role of regulators, consumer groups and private organisations ('IMPARTIALITY')
- ii. tariff comparison websites required ('COMPARABILITY')
- iii. Common (Mpid) meter number & information on estimated annual consumption also important ('QUOTABILITY')

2. Procedure

- i. mostly the role of supplier and DSO ('CO-ORDINATION')
- ii. Supplier as 'single-point-of-contact' ('SIMPLICITY')
- iii. DSO/Neutral Agent as data hub ('MARKET FACILITATION')
- iv. Duration needs to be 14-28 days ('SPEED')

3. Execution of switch

- i. Customer Contact ('EASE')
- ii. Contract fulfillment ('RISK MANAGEMENT')
- iii. Contract Release ('EXIT')

Step 1: Information gathering

i. Impartiality:

- Neutrality requires this activity can be taken care-of by regulators and consumer groups
- However, the competition authority or a private impartial ‘comparison service’ can do this

ii. Comparability:

- Price comparison (of like-for-like products) is very important
- Quality of service also needs to be comparable (to extent possible)
- Therefore, comparisons need to be relatively sophisticated

iii. ‘Quotability’:

- Unique ID, annual consumption, meter type usually needed
- Customers need to play an active role in keeping this information to hand when looking to switch (i.e. customers need to know what to do)

Step 2: Procedure

i. Co-ordination:

- Customers need to know that supply differs from network activities (and that if their supplier fails they will not be cut off)
- Roles & responsibilities need to be clear

ii. Simplicity - Supplier as 'Single Point of Contact':

- Distributor to be contactable for physical/connection issues (maybe put direct number on bill and websites)
- For everything else, suppliers should be the counter-party to the customer

iii. Distributor/'Metering Operator' as Market Facilitator:

- Counterparty to customer for physical matters which can't be handled by supplier
- Counterparty to supplier for all market matters – facilitator not participant!
- Distributors need to be incentivised to provide suppliers with good data, fast!

iv. Speed:

- Total of 14 to 30 days for switch
- Any less and potential conflict with the regret period which is defined under Community Law
- Any more and customers might get frustrated
- Keep in mind that switching processes and systems cost money. Therefore, balance required

Step 3: Execution of Switch

i. Ease:

- Normally, the customer should only need to contact the one party once!
- However, there are a number of occasions when further contact is required

ii. Risk Management:

- For a supplier to offer a contract, it needs to know that the contract will be fulfilled – as in any other industry. Otherwise, increased risk will increase costs
- With the adoption of smart metering, customers will have the incentive to move to a variable price supply in summer (e.g. when prices are lower) and to a fixed price contract in winter...therefore, with choice comes contracts!
- Another risk is ‘debt-hopping’
- One solution to this would be the introduction of a neutral informed intermediary to warn about contract breach but other solutions possible!

iii. Exit:

- We agree that fees for contract release need to be reasonable
- What constitutes ‘reasonable’ is a national matter depending on MS characteristics

How to gauge success?

1. Cumulative Switching Rates?

- Used early-on in liberalisation process
- Only indicates if customer moved once
 - Therefore only a proxy for success
 - Need for more accurate ongoing measure

2. Customer Churn?

- More accurate in established markets where:
 - new entry facilitated and
 - price regulation removed

3. But do low churn rates mean a non-functioning retail market?

- If (i) ease of switching is combined with (ii) removal of price regulation and (iii) proliferation of suppliers/ease of new entry...
- ...then 'ability to change' may be enough

How to progress this (1)?

i. Ease of switching:

- **dealt-with above!**

ii. Price Regulation:

- **Well-versed views on this issue**
- **However, clear definitions (or non-definitions) of**
 - a) Default supplier (i.e. no offer etc)**
 - b) DSO Role**
 - c) 'Emergency/SoLR' Supplier (i.e. in cases of bankruptcy etc) and**
 - d) Vulnerable customers (or who should not be a vulnerable customer)****...should clear the murky waters in this sensitive area.**

How to progress this (2)?

iii. **New/Cross-border Entry:**

- Already a proliferation of suppliers in Europe so...
...need to allow for ease of new/cross-border entry
- Does not necessarily require harmonisation of business processes/IT solutions but...
...does require that a supplier from one jurisdiction can register customers in another jurisdiction;
 - for example open source/internet for contact with registration systems and meter data.
- While finding a solution here will be difficult, it is of considerable importance to suppliers

iv. **Other Important Issues:**

- How do rules on move-in/move-out fit in with supplier-switching?
- Balancing also very important for retailers (recent Eurelectric paper on this)

Thank you for your attention.



Representing the European Electricity Industry