



Smarter regulation for energy customers



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A Fact Sheet on how the European Energy Regulators help customers, including vulnerable ones, engage in and benefit from the new smarter energy market

Competition benefits customers

The European energy regulators¹ oversee the efficient functioning of Europe's energy markets. Our first priority is to seek to create a single, competitive, efficient and sustainable EU market which will *benefit customers*. This is at the very heart of the European energy regulators' work.

Empowering customers stimulates competition

Customers themselves can play an important role in stimulating competition. Regulators have a *pro-active policy of empowering customers* to actively participate in the market by *enhancing access to information*; removing the obstacles to *supplier switching*; *promoting smart metering* so as to stimulate an effective demand side response; and addressing customer protection issues (e.g. *complaints and billing*). ERGEG supports the European Commission's dedicated *Citizens' Energy Forum (London Forum)*. *This forum strengthens the role of customers' representative bodies* in influencing best practices and policy development at an EU level.

European energy regulators put energy consumers in the driving seat

The European energy regulators seek to *improve the understanding and consideration of customer interests* in the overall energy market. With over 500 million citizens in the European Union, a direct dialogue on energy is necessary at local and national level. The European energy regulators *identify and strengthen the tools* at national level *which help raise the voice of customers* and *facilitate their active engagement in the energy market* (e.g. through complaint handling methods; indicators to monitor market functioning and customer needs; and smart metering).

With the new powers and responsibilities assigned to regulators on customer protection and retail market issues emerging from the 2009 3rd Package energy laws, regulators will be able to work even harder to *promote the customer interest*.

Messages to Member States for smarter energy markets

- Customers must get the *best choice, price and quality* from energy suppliers. Competitive markets can deliver this.
- Customers should be *empowered in the market* rather than protected from the market.
- Protecting *vulnerable customers* should not be confused with regulated end-user prices (which may be distortionary and can hamper competition). *ERGEG continues to encourage Member States to abolish end-user regulated prices*.
- *Energy customers' rights* must be implemented. *Member States should systematically review customer protection policies to ensure they are fit for purpose* in the smart energy markets.
- Better information and more *ease of switching empower customers*.
- *Smart meters, smart grids* and *smart regulation* are key enablers for a move towards a low carbon society, to the benefit of all. *Customers* have better *opportunities not only to reduce consumption but also to produce energy* themselves.
- *Smart meters* accompanied by *smart regulation* (e.g. time-of-use tariffs and customer awareness) provide customers with better visibility of and control over their energy use, offering them the possibility of *being more energy efficient and saving money*.
- Through *ERGEG's guidelines of good practice on regulatory aspects of smart metering*, regulators have *outlined the services that need to be rendered to the customer in the smarter world*.

¹ National regulators cooperate at EU level through the European Regulators Group for Electricity and Gas (ERGEG) and (also at international level) through the Council of European Energy Regulators (CEER) (see www.energy-regulators.eu). CEER/ERGEG work on customer and other issues (e.g. sustainable development or smart grids) supports and complements the work of the new EU Agency for the Cooperation of Energy Regulators (ACER) which becomes fully operational from March 2011. ACER's existence will help to safeguard the interest of Europe's energy customers.

Example 1 – Regulators monitor markets and customer rights, and help protect vulnerable customers

Challenges

- A well-functioning market needs informed and active customers. It is thus vital that final customers have properly defined and applied *rights*; that *vulnerable customers are protected* in an appropriate way; and that customers have confidence that the *market will really deliver benefits for customers*.

Goals and means

- *Market monitoring is important to build consumer confidence in the market* and to protect customers from abusive behaviour.
- The 3rd Package of energy laws include new consumer rights (e.g. on access to customer information) and provisions for *better enforcement of consumer rights and vulnerable customer protection*. It vests *powers on the regulators to ensure consumer rights* provisions are effective and enforced. It places *responsibilities on national regulators and ACER* to *monitor competition* at the wholesale and retail market levels.
- Regulators already *police compliance by Member States with existing rules*. ERGEG's extensive monitoring:
 - (a) provides *unbiased facts and figures*;
 - (b) *enables the European Commission to consider appropriate action*, for example whether to take legal action against Member States for not fulfilling their legal obligations or whether to introduce new stricter rules or other measures; and
 - (c) helps ensure a *consistent application of EU laws* or guidelines.



What regulators do to help customers

- Each regulator produces a report on the state of its national energy market, including retail market and customer issues (published on www.energy-regulators.eu). The raw data, the 27 national reports and the accompanying ERGEG assessment are the basic inputs used by the European Commission in its annual benchmarking report of progress towards competitive EU energy markets.
- In 2010, *ERGEG published guidelines of good practice on indicators for retail market monitoring*. These guidelines, developed in consultation with stakeholders, provide national regulators with a uniform basis to assess the functioning of their retail energy markets (as currently indicators measuring retail market functioning can vary across countries). The GGP cover issues such as complaints, prices, diversity of contract offers, market concentration, branding, switching rates and repairs and maintenance services. *These indicators offer a full picture of how energy markets are performing for customers across Europe and will help ACER carry out its future market monitoring duties*.
- *ERGEG (2010) monitored compliance with the European Commission's recommendations on billing*.
- *ERGEG (2008) monitored Member States' implementation of energy customer rights*. ERGEG also advised the EU Commission, MEPs and Ministries on how best to strengthen the consumer's position in the 3rd Package of energy laws.
- *ERGEG (2008) reviewed the definitions of "vulnerable customer", "supplier of last resort" and "default supplier" across Europe*.

Example 2 – Regulators encourage complaints as an effective way of mobilising change

Challenges

- *Customers must first have confidence* that their complaint will be handled appropriately.
- Applying a *consistent and understandable methodology for handling complaints* data *is critical* to ensuring complaints do the job of alerting regulators and the market to the views of the customer.

Goals and means

- Complaints are a *direct way for customers to communicate their needs and concerns*. Authorities and industry can use this input to better understand, gauge and meet these needs.
- Customer complaint data is regularly collected at both national and European level. Data on customer complaints can contribute to monitoring markets. It can identify market malfunctioning, or conversely, an active customer base in a competitive market.

What regulators do to help customers

- National regulators are *responsible for establishing well-functioning energy markets which benefit society as a whole*. They also have new powers to *ensure* that all *customer rights* (and not only complaints) *are effective and enforced*.
- In *18 of the 27 Member States*, the *national energy regulator* plays an important *role in alternative dispute resolution*, either as the main body responsible for complaints or sharing the responsibility with other authorities.
- Regulators strongly *encourage dissatisfied customers to complain*. *Complaints* are an *effective way of mobilising change*.
- At EU level, ERGEG has also sought to empower customers through more efficient complaint handling procedures. *ERGEG (2010) produced (non-binding) guidelines of good practice (GGP) on customer complaint handling, which include a proposal for complaint classification*, inspired by the complaints classification system published by the European Commission. The (15) recommendations provide guidance to service providers (suppliers and distribution system operators - DSOs) and third party bodies (alternative dispute settlement boards, ombudsmen, consumer bodies, etc.) on the new (2009) legal provisions on customer complaints.
- Among the main recommendations made, regulators advocate the importance of:
 - (a) *having a single point of contact* to provide consumers with all necessary information concerning their rights, current legislation and the means of dispute settlement available to them in the event of a dispute;
 - (b) providing relevant *complaint contact information on bills*;
 - (c) ensuring there are *alternative dispute settlement bodies* available for all household customers (with a relevant reimbursement/compensation system; and
 - (d) *applying statutory complaint handling standards* within the energy sector.



Example 3 – Regulators protect customers in a smarter energy world

Goals and means

- *Many countries are contemplating the roll-out of smart metering systems.* Member States have until 2012 to conduct a (non-mandatory) cost-benefit assessment for implementing smart metering for electricity and/or natural gas.
- There are *several benefits to smart metering* (e.g. accurate consumption data). When used with differential tariffs and customer awareness, smart meters can encourage customers to reduce their demand when prices are high or when system reliability or power quality is at risk.
- A *more active participation by customers is not only a goal in itself*, but is also a way *to integrate more renewables* (through distributed generation and the possibility to also produce energy themselves). Enabling a *demand response* by customers makes *retail and wholesale markets more efficient* as well as *helping to meet the EU's sustainability goals* (e.g. by encouraging a shift in energy consumption away from peak times).

Smart metering challenges and solutions

- But *smart meters add complexity* to the market. Thus, *the impacts of smart meters* (e.g. multiple time of use tariffs, appliance management deals) *should not lead to greater customer confusion*.
- ERGEG advocates:
 - (a) *smart metering should* provide services in an easy way that *benefits the retail customer* and *assists their active participation* in the market.
 - (b) *minimum functionalities* at least at national (possibly EU level) *are needed* to guarantee a minimum level of service to customers *and should be imposed on the industry* (metering operator, distribution system operator and supplier).



What regulators do to help customers and vulnerable customers

- ERGEG's (2010) *guidelines of good practice* on regulatory aspects of smart metering *set out the services that must be rendered to customers in deploying smart meters* so that they actually *assist the active participation of customers*.
- In order to *protect customers* in a smarter world, *regulators*:
 - (a) will be *vigilant about remote disconnection, and sales and marketing practices*;
 - (b) *encourage customer awareness campaigns* to help customers engage with smart metering and identify how to better manage and reduce their consumption; and
 - (c) *encourage early alert systems* to notify (vulnerable or low income) customers *when their consumption exceeds normal patterns*.
- ERGEG is also *fully involved in technical and policy work at EU level* (e.g. with the EU standardisation bodies) on interoperability, use of appropriate standards and best practice in smart metering and smart grids (see "The drive towards smart grids" FactSheet).
- The European energy regulators *facilitate smart meters* and *smart grids* and are *raising awareness* of how smart meters and smart regulation (e.g. time of use tariffs and information) can *help customers save energy and have more control over their energy bills*, while at the same time help *meet the EU's energy and climate change goals*.

Activities of the European Energy Regulators on Customer Issues

The European energy regulators undertake a number of activities related to customer issues including public consultations, workshops and reports. www.energy-regulators.eu

Publications and Public Consultations

EREGG guidelines of good practice on indicators for retail market monitoring,

Ref. E10-RMF-27-03, October 2010

These GGP, developed in consultation with stakeholders, *provide national regulators with a uniform basis to assess the functioning of their retail energy markets* (electricity and natural gas). The particular focus is on the processes in which a customer interacts with the energy markets. For each of the 18 indicators (including, for example, switching rates or separate branding issues), EREGG recommends the data to be collected and the frequency and sources of collection. This consistent approach should assist ACER in its future monitoring duties.

EREGG status review of the implementation of the European Commission's good practice guidance for billing,

Ref. E10-CEM-36-03, September 2010

Following a request by the European Commission, *EREGG reviewed and reported to the 2010 Citizens' Energy (London) Forum on the implementation of the European Commission's good practice guidance for billing*. The report also presents the *status quo* of energy billing requirements.

EREGG status review of end-user price regulation as of 1 January 2010,

Ref. E10-CEM-34-03, September 2010

This report reviews *progress made toward removing end-user price regulation across Europe*. Since the previous (2008) EREGG review, price regulation was removed (for at least one market segment) in 4 countries for electricity and 4 countries for gas.

EREGG conclusions paper on smart gGrids,

Ref. E10-EQS-38-05, June 2010

The 2009 consultation paper on *smart grids* (E09-EQS-30-04), and its *conclusions paper, explore the drivers and opportunities for 'smarter' networks from the users' perspective*. The reports discuss the regulatory challenges and priorities related to smart grids and the Conclusions paper provides a set of concrete conclusions (7) and recommendations (10) for national and EU decision makers.

EREGG guidelines of good practice (GGP) on customer complaint handling, reporting and classification,

Ref. E10-CEM-33-05, June 2010

These GGP contain 15 recommendations on complaint handling, as well as a proposal for complaint classification. *The GGP seek to help empower customers through more efficient complaint handling procedures* and more transparency of information regarding service providers' malpractice, thus counterbalancing the asymmetry between large company and small customer.

Draft EREGG guidelines of good practice on regulatory aspects of smart metering,

Ref. E10-RMF-23-03, June 2010

These GGP are intended to serve as guidance for Member States, regulators and industry in their consideration and deployment of smart metering systems. *The GGP set out the minimum services that should be provided by smart meters, as well as tips on what should be taken into account in conducting a cost-benefit analysis*. They also contain the regulators' recommendations on data security and customer integrity issues.

EREGG status review of the definitions of vulnerable customers, default supplier and supplier of last resort,

Ref. E09-CEM-26-04, July 2009

This report *reviews the definitions of "vulnerable customers", "default supplier" and "supplier of last resort" used across Europe*.

EREGG status review on the regulatory aspects of smart metering,

Ref. E09-RMF-17-03, September 2009

This report *reviews the state of play (as of May 2009) regarding the introduction of smart meters across Europe*, examining the issue from a regulatory perspective: meter value management; roll-out policy; access to data and privacy; and functional and technical aspects.

Transposition of consumer rights monitoring report,

Ref. E08-CPR-20-03, October 2008

This report *monitors Member States' transposition of consumer rights into national law*.

Press Contact: