



16th June 2010

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## **Response to ERGEG's Public Consultation Paper on Draft Guidelines of Good Practice on Indicators for Retail Market Monitoring**

EDF welcomes the opportunity given to comment on possible indicators for retail market monitoring. While understanding the need for National Regulatory Authorities (NRAs) to have a toolbox to monitor the retail market, we would like to stress that seeking harmonization should not necessarily lead to restrictive approaches, and creating new indicators should not turn out time-consuming and in the end costly. We therefore would favour pragmatic approaches, privileging when possible the use of existing data or indicators. We would consequently not support any recommendation that would end up to new burden for market players.

As a preliminary comment, we would like to point out that this report refers to “customers” understood as “household customers” and that those customers are deemed to be protected by Annex 1 of the 2009 Electricity and Gas Directives. In some countries however, the scope of customers that are deemed to be protected by Annex 1 could also include also small business customers. The list of indicators proposed concerns either household customers or customers as defined here-above and we wonder whether a combination of indicators not covering the same scope of customers would be relevant.

We also want to highlight the limits in the use of these indicators for making comparisons between Members States. Indeed, an indicator that is relevant in one Member state could prove irrelevant in another one. Moreover, some notions could have a different definition from one country to another (eg notion of typical household customer, active supplier, ...). Some regimes, for example a tax regime that has a direct impact on indicators such as the retail margin, may also differ from one country to another.

As you will see in the comments indicator per indicator below, we would recommend to leave out of the final recommendation some indicators (e.g. indicators 2, 5, 6, ..) and to deeply redefine others (e.g. indicator 11, ..). Moreover, we are not convinced by the relevance of some indicators as regards the objective of appraising the competitiveness of a market (e.g. indicators 12, 13, 17, ...).

We also suggest to add two other indicators: one on customer satisfaction built on questions asked directly to customers and another one that will measure the difference between regulated and non regulated retail prices in order to complete information given by indicator 8.

We finally insist on the fact that no collected data should be made available in a non-aggregated form. It entails that there should not be any circumstances where the results of an indicator names an individual energy company.

#### INDICATOR 1: Number of customer complaints by category

EDF has contributed to ERGEG's Public Consultation on Customer Complaint Handling. As a supplier we pay specific attention to all customer related processes, including complaints. Therefore, all remarks presented in EDF's past contribution also apply to this issue.

However, EDF wants to underline:

- The supplier is generally the main contact of the customer, including complaints related to grid connection, metering and quality of supply. In France, customers are used to sign a single contract ("contrat unique") with their supplier. Even if the customer can contact directly the distribution system operator (DSO) for network issues, he usually contacts his supplier. Suppliers are therefore receiving and handling, in cooperation with DSOs, complaints related to network use.
- A rigid and general complaint classification will not be effective to address the objective. A complaint classification must be customer- and supplier-oriented and subject to evolution over time. The proposed classification is irrelevant to customers' and suppliers' needs.
- EDF considers that there are too many causes to complaints and to the evolution of complaints (including social and national practices) so that it is difficult to establish a relevant and credible link between complaints and the functioning of a market.

#### INDICATOR 2: Number of customer enquiries by category

Unlike complaints, EDF is not tracking customer enquiries with statistical tools and standardized processes and instructions. Keeping track of all enquiries does not reveal appropriate for customer care processes. Too much information in customers files is of no use for suppliers to identify the essential and most important needs of customers.

In France, the NRA (Commission de Régulation de l'Energie) and the Energy Ombudsman (Médiateur National de l'Energie) have a duty to contribute to customer information and are collecting data.

#### INDICATOR 3: Is there a reliable price comparison website available for customers?

There are several private and public comparison websites in France, but they compare various forms of contracts and prices/tariffs. Therefore, none of them can be considered as reliable in itself. This is the reason why EDF recommends a more precise definition of reliability associated to comparison websites.

Moreover, making reference only to *price* comparison websites could potentially mislead customers. A complete information of customers must be based on detailed comparisons of suppliers offers (contracts, prices, etc.). In France, for instance, all suppliers agreed with customers associations to publish standardized descriptions of their offers.

#### INDICATOR 4: End-user price for typical household customer

The notion of “typical household customer” does not exist in every country. For instance, it does not exist in France. On the other hand, Eurostat publishes, each year, a review of electricity end-user prices within Europe which could probably be used to build this indicator.

As regards the implementation of this Eurostat indicator, EDF would like to stress that end-user prices are made public by suppliers in France. In this context, the collection of information by NRAs should be possible without any additional duties for the gas and electricity suppliers.

#### INDICATOR 5: Retail margin for typical household customer

EDF firstly underlines the fact that, as written in the paper, the definition given for « Retail margin » is very simplified. The difference between the wholesale price and the retail price integrates not only network charges, taxes and levies, but other costs such as customer relationship management costs (commercial costs), white certificates, etc. Therefore, this difference cannot be considered as a net retail margin.

We think that this indicator is too sensitive to be properly used as a competitiveness indicator and we recommend to remove it from the list. If not and since wholesale prices and retail prices are already public informations, the calculation proposed by ERGEG will have to be done by NRAs.

Finally, should this indicator be used for making comparisons of the competitiveness of the different European markets, a particular attention should be paid on taxes and levies that could, depending of the case, be included in the energy price or applied in addition to the energy price. This should impact significantly the calculation of the indicator.

#### INDICATOR 6: Price spread on comparable products for typical household customer

EDF is not completely convinced by the aim of such an indicator particularly in countries where the offers are not exactly comparable. What can be mentioned is that in France a price comparison website already exists, created under the supervision of the French Ombudsman, where the offers are compared on the basis of identical criteria. In any case, what is compared are the characteristics of the different offers and not the offers themselves that are intrinsically all different.

We also believe that this indicator could be removed from the list.

#### INDICATOR 7: Number of current offers to typical household customer

ERGEG should define what is considered as a point of differentiation between two offers.

#### INDICATOR 8: What percentage of customers is eligible to receive a regulated end-user price? What percentage of eligible customers is served under regulated end-user prices?

EDF has no specific comment on this indicator.

**INDICATOR 9: Number of active suppliers that are selling electricity and/or gas to household customers across the same market**

The notion of active suppliers is an interesting indicator but it has to be more precisely defined. Would it be any company having a supply license or anything equivalent? Would it be any supplier selling gas or electricity to a minimum number of customers? Would this minimum number be the same for gas or electricity? Etc.

**INDICATOR 10: Market shares by number of customers and consumption**

EDF has no specific comment on this indicator.

**INDICATOR 11: What percentage of customers is served by a DSO that :**

**has separate branding from the supply branch of its vertically integrated undertaking?**

**does not have separate branding from the supply branch of its vertically integrated undertaking?**

**is totally separate from the supplier of that customer?**

EDF agrees that a DSO subsidiary of a vertically integrated undertaking (VIU) shall not, in its communication or branding, create confusion in respect of separate identity from the supply branch of the VIU. However, we do not believe that the answer to these three questions will bring any information on the competitiveness of the market. Indeed, if the goal is to estimate whether customers can distinguish between the two parts of the business, the questions are not adapted. The question should then focus on whether the customers are aware or not that there are two different businesses in the VIU. Therefore, we recommend to remove this indicator or redefine it.

**INDICATOR 12: Number of switches for household customers as a percentage of customer numbers**

The number of switches is an indicator easy to determine but it could be of no easy use and could bring no reliable information on the competitiveness of the national retail market. Indeed, if we consider the situation in the UK between 2000 and 2006, there was a considerable and increasing number of switches between suppliers. But in the meantime, the number of suppliers was divided by two. As a result, an increasing number of customer switching cannot evidence an increasing level of competitiveness on the market (as long as the number of suppliers is an indicator of competitiveness).

Moreover, the implementation of this indicator would need to identify upstream - provided it is possible - the reasons of these switches. For example, what kind of conclusion could be drawn if a large number of these switches was resulting from cancellation campaigns of new entrants.

In any case, this indicator should not be used for market comparison within the EU since it can involve various different situations deriving from markets practice.

**INDICATOR 13: Number of renegotiated contracts for household customers**

Renegotiation is probably an interesting indicator but it has to be precisely defined. Because, if the renegotiation concerns only technical aspects (increase or decrease of power needs), EDF is not convinced of the relevance of this indicator (and could not obtain this information, which belongs to DSOs). More generally, as far as this indicator should prove irrelevant in many countries, it should not be used for market comparison within the UE.

**INDICATOR 14: Number of delayed switches**

EDF has no specific comment on this indicator.

**INDICATOR 15: Number of failures in relation to the total switching rate**

EDF has no specific comment on this indicator.

**INDICATOR 16: Average time between a connection being requested by a customer and completed**

EDF has no specific comment on this indicator.

**INDICATOR 17: Average time until repair**

EDF has no specific comment on this indicator. Moreover, we are not convinced by the link that could be done between this indicator and the degree of competition on the retail market.

**INDICATOR 18: Relative number of disconnections**

We are not completely convinced by the aim of such an indicator, since there could be various reasons for disconnections.

**INDICATOR 19: Is there a charge for execution of maintenance services? (Y/N)**

Average time taken for execution of maintenance services

Average charge for execution of maintenance services

EDF has no specific comment on this indicator. Moreover, we are not convinced by the link that could be done between this indicator and the degree of competition on the retail market.

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