



Obstacles to switching in the gas retail market

Guidelines of Good Practice and Status Review

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Subject matter and scope

The present report, prepared by the ERGEG Customer Focus Group (CFG), consists of Guidelines of Good Practice (GGP) to enhance supplier switching in the small customer segment of the gas retail market.

The report focuses on retail market competition.

Chapter 2 is based on a questionnaire that was circulated to ERGEG members and observers during the 2nd quarter of 2006.

The report comprises the Status Review Report of gas switching trends among ERGEG members) and the Guidelines of Good Practice themselves.

It should be noted that the report only applies to small commercial and household gas customers.

1 Summary

The status review confirms that the switching rate in the gas retail market is still low in most EC countries. This is in spite of the fact that a lot of substantial measures have already been taken to enhance it, including those measures that were derived from the best practice propositions launched by ERGEG in July 2006 concerning the “Supplier Switching Process”¹, “Transparency of Prices”² and “Customer Protection”³.

New additional recommendations, in the form of Guidelines of Good Practice, regarding common practical rules for market opening, customer information, supplier information, switching process and liquidity of gas wholesale markets are identified for enhancing supplier switching.

Common practical rules for market opening

- Regulators should address the aspects of the relationship between DSOs, suppliers and customers, including rules, responsibilities, contractual arrangements, data exchange agreements, commitments to customers, quality guarantees, etc. This includes efficient balancing systems and customer profiling.
- Regulators should enhance customer protection through good information and clear procedures vis-à-vis possibly aggressive commercial practices or mistakes.

Customer information

- The customers understanding of the reasons for gas price changes should be improved. Present concerns about gas price increases show that consumers have no clear understanding of price change mechanisms, especially when announcements of high suppliers’ benefits come along with price rises. This implies a surveillance duty for the regulators or any other relevant public body, since a lack of transparency regarding prices can damage the confidence that customers may have in the market.

Supplier information

- Non discriminatory access to a list of existing and new connections for all suppliers.

¹ Ref nr. E05-CFG-03-05, available from the ERGEG website at:
http://www.ergreg.org/portal/page/portal/ERGEG_HOME/ERGEG_DOCS/ERGEG_DOCUMENTS_NEW/CUSTOMER_FOCUS_GROUP/E05-CFG-03-05.pdf

² Ref nr. E05-CFG-03-04, available from the ERGEG website at:
http://www.ergreg.org/portal/page/portal/ERGEG_HOME/ERGEG_DOCS/ERGEG_DOCUMENTS_NEW/CUSTOMER_FOCUS_GROUP/E05-CFG-03-04.pdf

³ Ref nr. E05-CFG-03-06, available from the ERGEG website at:
http://www.ergreg.org/portal/page/portal/ERGEG_HOME/ERGEG_DOCS/ERGEG_DOCUMENTS_NEW/CUSTOMER_FOCUS_GROUP/E05-CFG-03-06.pdf

Switching Process

- The entity responsible for meter values must improve and, if possible automatise access to past and present consumption data of their customers.
- A unique and stable Delivery Point Identification Number should be the key on which every exchange should be based on. This requires the availability of this identification number both on the invoices that customers receive from their supplier and on the meter.

According to the 2007 Work Programme published by the European Energy Regulators the present Guidelines would undergo public consultation. Nevertheless, upon conclusion of this report the Regulators understand that these Guidelines provide additional recommendations to the above mentioned Best Practice Propositions (see footnotes 1, 2, and 3) that already underwent public consultation in 2006.

In this sense, the present Guidelines are building upon already identified issues by Regulators and Stakeholders during the 2006 public consultations and therefore do not warrant the commitment of additional time and effort.

2 Guidelines of Good Practice

It has been established that the switching activity in most of the member states with an open gas market is low⁴. The first objective of the report is to identify the various obstacles that currently exist which prevent customers from switching supplier. The second objective of the report is to create good conditions for those countries that are going to open the gas market to competition on 1st July 2007.

The report identifies four different categories of obstacles, which concern:

1. practical rules for market opening;
2. customer information;
3. switching process; and
4. liveliness of competition.

In 2006 ERGEG launched three sets of Best Practice Propositions concerning the “Supplier Switching Process”, “Transparency of Prices” and “Customer Protection”⁵. This report presents some supplementary proposals.

In this chapter obstacles and Guidelines of Good Practice for overcoming identified obstacles are presented. ERGEG has established the fact that national regulators in many member states can take initiative for implementing the proposals. According to ERGEG’s Work Programme for 2007 the Customer Focus Group will monitor and review the transposition of the three Best Practice Propositions in the member states.

2.1 Common practical rules for market opening

Obstacle – “implementation of Community legislation is not sufficient”

The implementation of the 2003 Gas Directive (2003/55/EC) is obviously a compulsory and critical step to give birth to a competitive gas market. However, the present survey confirms that the pace and the extent of this implementation vary from one country to another, with considerable impact on market development. A mere implementation of the Directive is therefore not enough.

This is illustrated in the case of Germany, where market opening for households has theoretically been a reality since 1998. In practice, the switching rate in that country has been reported to be zero as recently as May 2006, with no alternative gas suppliers making offers to the retail sector. Nevertheless, efforts by the German regulator to establish common practical rules for third party access to networks are showing their first signs of impact on a way towards an effective competitive market. For example a standardization process for

⁴ See chapter 2

⁵ For full reference details see footnotes 1, 2 and 3.

switching of gas supplier and data exchange formats was launched in July 2006. Reportedly, the first alternative gas suppliers have entered the market and a few thousands of customers have switched their supplier.

EREGG proposals

In EREGG's Best Practice Propositions (BPPs) on the Supplier Switching Process there are two strategic priorities that are important:

1. Promote easy, cost efficient and standardised switching and activating/deactivating procedure⁵.
2. Ensure customer confidence and sound monitoring systems⁶.

Two new strategic priorities in the present Guidelines of Good Practice have been identified:

3. Regulators should address the aspects of the relationship between DSOs, suppliers and customers, including rules, responsibilities, contractual arrangements, data exchange agreements, commitments to customers, quality guarantees, etc. This includes efficient balancing systems and customer profiling.
4. Regulators should enhance customer protection through good information and clear procedures capable of dealing with the consequences of inappropriate commercial practices or mistakes.

It is evident that governments and regulators can play a role by encouraging industry and stakeholders to adapt more quickly to the new competitive European framework. National regulators could take the initiative for implementing Working Groups consisting of representatives of the respective market players, namely suppliers, network operators and customers. These Working Groups can promote a sound dialogue between all energy market stakeholders and establish practical rules for market opening in the light of strategic priorities. For example in France such consultation bodies led by the regulator have proven very helpful in setting up the practical conditions of an effective market opening for business customers during 2004.

Regarding the preparation of retail market opening, such a consultation is important to ensure that new processes and procedures are smooth, efficient and customer-friendly. After 2007, the mission of the Working Groups will likely be to maintain a feedback system for continuous improvement.

The more complicated the situation prevailing before the market opening, with for instance many different DSOs in a country, the more difficult is the task of the consultation organisation but the more important and the more useful it can be. In that case, the challenge is to enforce identical processes, data formats and contractual arrangements to all the DSOs so that new suppliers will not be faced with the difficulty of having to deal with as many procedures and arrangements as DSOs.

⁵ BPP Supplier Switching Process, para.10

⁶ BPP Supplier Switching Process, para.10

2.2 Customer information

Obstacle – “lack of information and confidence of customers”

One of the main obstacles to switching is the lack of information and confidence of customers. Customers need simple, transparent and objective information. To achieve this aim some best practice proposals are presented.

EREG proposals

The following measures to improve customer information are addressed in ERGEG’s Best Practice Propositions concerning Transparency of Prices.

5. A list of all gas retail suppliers that are active in the market should be made available. The energy regulatory authority, or any other competent body, should ensure the easy availability of such a list⁶.
6. It has to be ensured that customers are able to obtain comparable price information, that the relevant and applicable information is publicly available, and that customers are readily able to compare new price offers with their existing contract⁷.
7. To facilitate the comparison of gas prices by small customers, a price comparison indicator formula could be defined (e.g. annual total expense for pre-defined consumption levels)⁸.
8. To assist the small customers to take advantage of competitive markets through ensuring the access to comparable price information with a reasonable effort, websites that are independent of individual suppliers and that combine and offer the price information of a larger number of suppliers should be encouraged⁹.
9. To make the use of new technology for the proper functioning of the gas retail market, the use of Internet for publishing price information should be encouraged. However, price information availability through traditional systems should be guaranteed, at least on request, to those customers that do not have easy access to advanced information technologies (e.g. the elderly and low-income customers)¹⁰.
10. It is of utmost importance that customers are informed of price changes well in advance during the contract period. This enables the customer to budget for any

⁶ BPP Transparency of Prices, para. 27

⁷ BPP Transparency of Prices, para. 24

⁸ BPP Transparency of Prices, para. 26

⁹ BPP Transparency of Prices, para. 30

¹⁰ BPP Transparency of Prices, para. 29

increase in their gas bill, and also allows the customer sufficient notice to seek offers from alternative suppliers¹¹.

One new Guideline of Good Practice has been identified:

11. The customers' understanding of the reasons for gas price changes should be improved. Present concerns about gas price increases show that consumers have no clear understanding of price change mechanisms, especially when announcements of high suppliers' benefits come along with price rises. This implies a surveillance duty for the regulators or any other relevant public body, since a lack of transparency regarding prices can damage the confidence that customers may have in the market.

2.3 Supplier information

Obstacle – “information held by incumbents hinders alternative suppliers”

As it is not the entire population that is connected to a gas distribution network, contrary to electricity, incumbent suppliers do have a major advantage over alternative suppliers as they know which locations are already connected. This can be an obstacle to new entrants.

ERGEG proposal

12. Non discriminatory access to a list of existing and new connections for all suppliers.

2.4 Switching process

Obstacle – “customers do not feel confident with the act of switching”

The fact that customers do not feel confident with the act of switching is itself an obstacle, as supplier switching is the very first step in order to benefit from an opened market. For that reason some best practice proposals are presented. These proposals could have an intense impact on the back office of suppliers and network operators.

ERGEG proposals

The following measures to improve the switching process are addressed in ERGEG's Best Practice Propositions concerning the Supplier Switching Process.

13. A prerequisite for customers' confidence is a well functioning switching process. In order to achieve that, the process of switching supplier has to be easy from the customer's point of view and the customer should not pay any direct fees for

¹¹ BPP Transparency of Prices, para. 41

changing supplier. It also has to be cost efficient and standardized for the suppliers and the distribution system operators¹².

14. Advanced meters which are automatically read should not be a prerequisite for the customer's eligibility to switch. Metering should not be an obstacle for switching. In a dynamic retail market with high mobility, however, it is recommended that the meters are read upon switching. In most member states the DSO is responsible for meter reading. It is however possible for the customer or other party to read the meter and send the meter value to the DSO either through a web page, by SMS, telephone or ordinary mail. If the meter is not read due to certain circumstances, the meter value may be estimated by the DSO. When the DSO has read the meter, accepted or estimated the meter value, it is subsequently sent to the old and the new supplier for settlement issues. DSOs must document their estimation methodology¹³.
15. The switching period should be as short as possible and the restrictions regarding the dates when a switch can take place, should be minimized. There should not be any unnecessary obstacles for switching from the customer's point of view. These may include restrictions on the permitted number of switches per year¹⁴.
16. The customer should only need to be in direct contact with one party, preferably the new supplier, when initiating the switch. There should normally be a written contract between the customer and the supplier. Contracting should however be possible electronically, e.g. through the internet, to facilitate switching. There should be regulations on the information needed to be able to switch, for instance name, address and metering point identification number¹⁵.
17. There should not be any direct fees related to switching supplier. The costs related to enabling an efficient market, including an efficient switching process, should be spread on all customers. In addition if these costs were covered by the individual customer, this could prevent many customers from switching, thus preventing an efficient market. The proposition is that these costs are covered by the DSOs and subsequently spread on all network customers¹⁶.

Two new Guidelines of Good Practice have been identified:

18. The entity responsible for meter values must improve and, if possible automatise access to past and present consumption data of their customers.
19. A unique and stable Delivery Point Identification Number should be the key on which every exchange should be based on. This requires the availability of this identification

¹² BPP Supplier Switching Process, para. 12

¹³ BPP Supplier Switching Process, para.16

¹⁴ BPP Supplier Switching Process, para. 22

¹⁵ BPP Supplier Switching Process, para. 24

¹⁶ BPP Supplier Switching Process, para. 25

number both on the invoices that customers receive from their supplier and on the meter.

3 Status Review Report

3.1 Respondents

Some 25 out of the 30 countries that have received the questionnaire have submitted complete or partial answers. Based on Article 28(1) of Directive 2003/55/EC some countries, such as Finland, have not opened their gas retail market, because they do not have a direct connection to the natural gas network of any other EU Member State and have only one main external supplier. Some countries, like Portugal, benefit from derogation under Directive 98/30/EC as an emerging market (first commercial contract signed less than 10 years ago).

Belgium answered partially, for the Flemish Region only. Others, such as Cyprus and Iceland simply do not have a gas infrastructure. In light of the above, we consider the response rate very high. Greece answered that the Gas Law (L. 3428/2005) introduced a gradual opening of the market, with deployment of eligibility rights to all customers by the end of 2009 and until today no switching of any of the current eligible customers (all power producers and co-generators with an annual consumption of more than 9 Mm³/year) took place.

3.2 Market opening threshold

All respondents reported that big and non-household customers are eligible. Eight countries reported that their gas retail market is fully opened to competition, including household customers.

The countries where household customers are not yet entitled to choose a supplier are: France, Czech Republic, Hungary, Lithuania, Luxemburg, Poland, Romania, Slovak Republic, Slovenia, Sweden, Greece and Turkey. For these countries (with the exception of Turkey and Greece), the complete opening of the gas market will take place on the 1st of July 2007, which is the deadline given by the directive. The following table gives an overview of the answers given by the 24 respondents.

No developed gas retail market or no gas infrastructure	Market not yet opened for small customers	Market opened for small customers but not yet for households	Market fully opened
Cyprus Finland Norway Portugal	Romania Turkey* Greece	France Hungary Lithuania Luxemburg Poland Slovak Republic Slovenia Sweden Ireland	Austria Belgium (Flanders) Great Britain Denmark Germany Italy Netherlands Spain Czech Republic

* Only customers with a yearly natural gas consumption of more than 1 million m³ are eligible.

At the time the survey was conducted (end of May 2006) there were no active alternative gas suppliers for household customers in Germany. With the new entry-exit framework

implemented in October 2006, some alternative gas suppliers are now preparing or already starting their market entry.

3.3 Customer information

One of the obstacles to switching is assumed to be the lack of information of eligible customers regarding pre-contractual information, contact details of suppliers (especially alternative ones), the switching process and the fact that switching is free for household customers in application of Annex A of the EU Gas Directive (2003/55/EC). The questionnaire focused on other sources of information rather than suppliers' marketing initiatives.

It appears that more information is given in countries where competition has been effective for several years.

Almost every regulator or other relevant body publishes a list of suppliers, including contact details. For countries where competition has long been introduced, lists often include prices and sometimes terms and conditions. Suppliers' names and contact details can also be found in licences or agreement details, where applicable.

Customer and environmental organisations play their part. Yet, this kind of initiative is hardly found in countries where competition for small customers has been introduced recently.

Private initiatives, such as price comparison websites, can only be found in five countries (the Flemish Region of Belgium, Denmark, Germany, Great Britain and the Netherlands) out of the eight countries whose markets are fully opened to competition. Not surprisingly, the savings that a customer can expect from switching from the incumbent supplier are generally higher in these countries.

Although switching must be free of charge (in accordance with Annex A of the Gas Directive), national legislation does not specify this in every country. In any case, information is given in virtually every country, either through the regulator's website or via private sector initiatives.

A lack of information about the switching process is noticeable in a few countries, even where competition is effective for small non-household customers.

According to every respondent in our survey, customers' awareness regarding unbundling between distribution and supply is low.

3.4 Switching process from the customer's point of view

Rules limiting the terms of notice in customer contracts are reported by most of the respondents, whether defined by suppliers' contracts or regulation. Required notice periods vary considerably from a country to another.

The average term of notice that a customer has to give its former supplier in order to switch appears to be around one month. For Hungary, however, customers have to give a minimum of 90 days notice. Arguably, this results in an unduly long period for switching supplier.

Generally, the steps of the switching process have been defined nationally and are regarded as an industry standard. In some countries, the switching process is regulated or is legally defined. It is generally reasonably quick (no country other than Hungary has reported a switching process lasting more than two months) and simple for the customer, which generally just needs to contact the new supplier. In some countries, however, provision of notice to the former supplier may also be required.

Country	National switching process description	Process regulatory or legally binding/industry standard	Difference between incumbent and alternative supplier	Number of parties a customer has to deal with
Fully opened market				
Austria	Yes	Yes	No	1
Belgium (Flanders)	Yes	Yes	No	1
Denmark	Yes	Yes	No	1
Germany	No (under progress)	Yes (when ready)	No	1-2*
Great Britain	Yes	Yes	No	1
Italy	Yes	Yes	No	1
Netherlands	Yes	Yes	No	1
Czech Republic	Yes	Yes	No	NA
Spain	Yes	Yes	No	1
Market opened for all customers but households				
France	Yes	No	No	1
Hungary	No	N/A	No	2
Ireland	Yes	Yes	No	1
Lithuania	Yes	Yes	No	2
Luxemburg	Yes	No	No	2
Poland	No	N/A	N/A	NA
Slovak Republic	No	No	N/A	1
Slovenia	No	N/A	No	NA
Sweden	Yes	Yes	No	1
Turkey	NA	NA	NA	2

N/A: not applicable

NA: not available

* For Germany, usually one party, but it depends on the contract chosen by the customer.

Objection to the switch can be made by the former supplier in Austria, Great Britain, Hungary, Lithuania, Luxemburg, mainly if the customer does not respect the term of notice mentioned in the contract. In Ireland, the change of supplier process can only be initiated by an incoming shipper once the outgoing shipper has been in place for a specified minimum period (20 business days).

Differences in the switching process between respondents arise when it comes to the switching index and the transmission of consumption data (useful to design a good offer to the customer):

- For countries with a fully opened market, customer's self meter reading is common. For countries where household customers cannot switch yet, a meter reading by the metering operator is far more used than a meter reading by the customer.
- Access to the customer's consumption data is rarely given by the network operator or the former supplier. In most countries, suppliers have to ask their new customers for their consumption history in order to design an interesting offer. For the few countries where the information is given by the network operator, this transmission is often manual.

It has to be noted that in some cases DSOs charge suppliers with switching costs, for instance a meter reading or the transmission of consumption data, but in no case has it been reported that suppliers pass the charge onto their customers.

3.5 Switching process from the operators' point of view

According to the answers of the respondents, the more the market is opened, the more IT standardisation is achieved. IT standardisation seems to be a key factor for an effective competitive market. Moreover, an insufficient IT standardisation level can be linked to a high number of DSOs, and implies higher costs (for example manual operations, errors) which are likely to be passed onto customers.

For most countries, the only way for a supplier to obtain the delivery point identification number of a customer is through the customer's invoice, which implies that suppliers have made a preliminary research to identify customers connected to the gas network (since gas networks do not cover all inhabitants of a country, contrary to electricity networks).

For a few countries, such as Belgium (Flanders) and Sweden, a publication of the list of delivery points is ensured by the DSOs. France and Italy reported to have the opportunity of this publication under study.

Country	Electronic data exchange	Legally binding data format	Public and automated access to delivery point identification number or code
Fully opened market			
Czech Republic	Yes	No	Access to the delivery point is defined in the Market Rules and Grid Codes.
Austria	Yes	Yes (office based)	No (customer invoice)
Belgium (Flanders)	Yes	Yes (Edifact)	Yes (list published every six months)

Country	Electronic data exchange	Legally binding data format	Public and automated access to delivery point identification number or code
Denmark	Yes/No (switching requests sent manually)	Yes (Edifact, Ediel)	No (customer invoice)
Germany	Yes	No (in progress)	No (customer invoice)
Great Britain	Yes	Yes (XML, Office-based)	Yes
Italy	Yes	Yes	No (on request)
Netherlands	Yes	No	Yes
Spain	Yes	No	No (customer invoice)
Market opened for all customers but households			
France	Yes	Yes	No (customer invoice before mid 2007+ list under study)
Hungary	No	No	Identification number determined by Grid Code
Ireland	Yes	No	No (customer invoice)
Lithuania	No	No	No
Luxemburg	Yes (in progress)	NA	No (customer invoice)
Poland	No	NA	N/A
Slovak Republic	Yes	Yes (office-based)	N/A
Slovenia	Yes	No	Not defined yet.
Sweden	Yes	No	Yes (list published)
Turkey	NA	NA	NA

N/A: not applicable

NA: not available

3.6 Liveliness of competition

At first sight, competition in the global gas market (including wholesale and retail) seems effective, as several importers (or traders) and suppliers are active in each country.

Nevertheless, the market structure reveals that the market share of the biggest trader (or importer) is often very high. It could mean that suppliers are not in a good position to get the best conditions in order to design interesting offers for small final customers. This assumption is confirmed by the low number of alternative suppliers having designed at least one offer for small customers.

Moreover, the potential savings that a customer can expect from switching from his incumbent supplier to an alternative supplier, is limited to a maximum of 5% in nearly all the respondent countries, except for Great Britain (potential saving over 10%) and Denmark (potential saving between 5% and 10%). For these two last countries, competition has long been introduced.

Country	Number of importers/ traders (wholesale market)	Market share of the biggest importer/trader (wholesale market)	Number of <u>alternative</u> suppliers having designed offers for non- household customers	Number of <u>alternative</u> suppliers having designed offers for household customers
Fully opened market				
Austria	4	90%	2-5	2-5
Belgium (Flanders)	3	85%	>5	>5
Denmark	5-8	80%	4-6	2-3
Germany	26	55%	>5	1-2
Great Britain	200	NA	>5	>5
Italy	23	72%	>5	>5
Netherlands	> 35	>80%	>5	>5
Czech Republic	2	>99%	2-5	>5
Spain	26	48%	>5	>5
Market opened for all customers but households				
France	25-30	>75%	2-5	
Hungary	15	92%	2-5	
Ireland	3	>90%	2-5	
Lithuania	2	74%	2-5	
Luxemburg	2 importers	97%	0	
Poland	27 traders 1 importer	>95%	NA	
Slovak Republic	1 supplier 63 traders	>99%	0	
Slovenia	NA	72%	0	
Sweden	6 suppliers	50%	2-5	
Turkey	1 importer 18 wholesalers	98%	>5	

NA: not available

Data about the switching rates in the different countries below were collected from the different public sources available: the 2005 reports to the EC (DG TREN) or regulators' publications.

Country	Gas switching rate	Electricity switching rate	Rate calculation	Source
Fully opened market				
Austria	3,4 % (small commercial customers) 1,6 % (households)*	6,4 % (small commercial customers) 2,8 % (households)	Number of sites	Report to the Eur. Commission (DG TREN), 2005
Belgium (Flanders)	11,5 %	12,3 %	Number of sites	Answer to the questionnaire
Denmark	Volume: 20 %	Volume: 50 % Number of sites: 5 %	Volume/Number of sites	Report to the Eur. Commission (DG TREN), 2005
Denmark	20 %	NA	Volume	Report to the Eur. Commission (DG TREN), 2005
Germany	low	low	NA	Report to the Eur. Commission (DG TREN), 2005
Great Britain	47 %	48 %	Number of sites	Report to the Eur. Commission (DG TREN), 2005
Italy	1 %	NA	Number of sites	Report to the Eur. Commission (DG TREN), 2005
Netherlands	5,5 %	8 %	Number of sites	Report to the Eur. Commission (DG TREN), 2005
Czech Republic	NA	0,25 %	Number of sites	2005 annual report of the energy regulatory office
Spain	47,7 % (commercial and industrial) 17,1 % (households)	14,3 % (commercial and industrial) 4,8 % (households)	Number of sites	Report to the Eur. Commission (DG TREN), 2005
Market opened for all customers but households				
France	4,2 %	4,9 %	Number of sites	Electricity and Gas Market Observatory 2 nd 2006 quarter
Hungary	<0,1 % (commercial and industrial)	31,5 %	Gas: number of sites Electricity: volume	Report to the Eur. Commission (DG TREN), 2005
Ireland	1%	NA	Gas: number of sites	Report to the Eur. Commission (DG TREN), 2005

Country	Gas switching rate	Electricity switching rate	Rate calculation	Source
Lithuania	15 %	NA	Volume	Report to the Eur. Commission (DG TREN), 2005
Luxemburg	2,8 %	<0,1 %	Number of sites	Report to the Eur. Commission (DG TREN), 2006
Poland	0 %	0,16 %	Gas: volume Electricity: number of sites	Report to the Eur. Commission (DG TREN), 2005
Slovak Republic	NA	1 %	Number of sites	Report to the Eur. Commission (DG TREN), 2005
Slovenia	NA	3 %	Number of sites	Report to the Eur. Commission (DG TREN), 2005
Sweden	Very low	30 %	Number of sites	The Swedish energy market report 2005
Turkey	NA	NA	NA	NA

NA: not available

* This rate is reported to have increased to 2,6 % in the 2005 annual report of E-control

Rates are related to small customers (if not otherwise stated)

In conclusion, it could be assumed that the structure of the wholesale market has a strong impact on the liveliness of retail market competition, and that a high switching rate is linked to a competitive structure of wholesale market.

3.7 Access to Distribution and Transmission Networks

In most countries except Germany and Sweden, suppliers need to be licensed to supply customers, generally at a national level, even when several DSOs operate locally. In a few countries like Denmark, only default suppliers need a license.

A high number of DSOs, with different network tariffs and conditions, may be identified as an obstacle to effective competition. Indeed, the more DSOs procedures and network access contracts are different, the more expensive it is for suppliers (and especially small ones) to design offers and to deliver gas to final customers.

Country	Number of DSOs	Publication level for terms and conditions	Publication level for tariffs	Variation of tariffs between DSOs
Austria	19	National	National	Yes
Belgium (Flanders)	11	Local and regional (regulator)	Local (DSOs) and national (regulator)	Yes
Denmark	3	National	National	Yes
Germany	730	Local, regional and national	Local, regional and national	Yes

Country	Number of DSOs	Publication level for terms and conditions	Publication level for tariffs	Variation of tariffs between DSOs
Great Britain	8	Regional	Regional	Yes
Italy	364	National	National	Yes
Netherlands	17	National	National	Yes
Spain	28	National	National	Yes
Czech Republic	8	Local, regional and national	Local, regional and national	Yes
France	22 (1 incumbent covering 95%, and 21 small or very small)	National	National	Yes
Hungary	8	Regional and national	National	No
Ireland	1	National	National	NA
Lithuania	7	National	National	Yes
Luxemburg	4	NA	National	Yes
Poland	12	No (in progress)	National	Yes
Slovak Republic	63	Local and national	Local and national	Yes (in progress)
Slovenia	17	Local	Local	Yes
Sweden	8	National	National	Yes
Turkey	41*	No	National	Yes

NA: not available

* This number is likely to increase, due to an ongoing tendering process regarding network distribution development.

In Hungary, Lithuania, Luxemburg, Poland, the Czech Republic, the Slovak Republic and Sweden hubs do not exist, or suppliers do not have access to them. In Spain, a hub has been recently created. Regarding Belgium, the regulator did not answer whether suppliers have access to the Zeebrugge hub. In Ireland, a national balancing point has the capability to serve as a domestic trading hub, although in practice the market prices have remained closely aligned to those of the UK NBP.

Every respondent has reported that general terms and tariffs for access to distribution networks are published by DSOs. Tariffs may vary locally, from one DSO to another. Regarding TSOs, their general terms and tariffs are published. Usually, a single TSO operates in each country and its general terms and tariffs are published. Germany is a notable exception.

Rules guaranteeing the availability of network capacity for the supply of suppliers' new customers are not set up in all countries. Flanders in Belgium, Denmark, Great Britain, Luxemburg, Poland and the Slovak Republic have not designed such rules. Though it might not seem to be a problem as a switching client does not outweigh the overall quantity of gas passing through the networks, the distribution of capacities between suppliers is a key issue. A rapidly growing supplier could face large penalties if his allowed network capacity does not evolve accordingly.

3.8 Existence of regulated prices

When (and where) regulated prices exist, they concern both household and commercial customers or household customers only. Not surprisingly, regulated prices are more common in countries where the gas market is not yet opened for households. Nevertheless, regulated prices also exist in some of the countries where the market is fully opened.

Country	Existence of regulated prices for household customers	Percentage of household customers under regulated prices	Existence of regulated prices for non-household customers	Percentage of non-household customers under regulated prices	Right of going back to regulated prices after eligibility exercise
Fully opened market					
Austria	No	N/A	No	N/A	N/A
Belgium (Flanders)	Only for vulnerable customers	<20%	No	No	Supposed to meet vulnerability criteria
Denmark	Yes	>80%	Yes	<20%	Yes
Germany	No	N/A	No	N/A	No
Great Britain	No	N/A	No	N/A	No
Italy	Yes	>80%	Yes	>80%	Yes (households only)
Netherlands	Yes	> 80%	Yes	N/A	N/A
Czech Republic*	Yes	>80%	Yes	>80%	Yes
Spain	Yes	>60% and <80%	Yes	<20%	Yes (households) Under yearly consumption condition for non-households
Market opened for all customers but households					
France	Yes	>80%	Yes	>80%	No
Hungary	Yes	>80%	Yes	<20%	Yes but with a penalty of 5% for a year
Ireland	Yes	100%	Yes	>90%	Yes
Lithuania	Yes	>80%	Yes	<20%	No
Luxemburg	No	N/A	No	N/A	N/A
Poland	Yes	>80%	Yes	>80%	Yes
Slovak Republic	Yes	>80%	Yes	>80%	No
Slovenia	Yes	>80%	No	N/A	No
Sweden	No	N/A	No	N/A	N/A
Turkey	Yes	>80%	Yes	>80%	Yes

N/A: not applicable

* In the Czech Republic, only one customer has exercised its eligibility

3.9 Miscellaneous: other obstacles

Some countries have reported the following obstacles to switching in the gas retail market:

- Insufficient regulation for unbundling allows cross-subsidisation in network areas where grid tariffs are high.
- Vertical integration (between trading and distribution) and difficulties in the first steps with electronic communications (formats, compatibilities, etc.)
- Problematic access to the underground gas storages (negotiated price, limited capacity) and limited number of gas suppliers.

Appendix: Respondents

The following table gives the status response of the ERGEG members or observers.

Country	Response
Austria	Yes
Belgium (Flanders)	Yes
Bulgaria	No
Cyprus	Yes
Czech Republic	Yes
Denmark	Yes
Estonia	No
Finland	Yes
France	Yes
Germany	Yes
Great Britain	Yes
Greece	Yes
Hungary	Yes
Iceland	No
Ireland	Yes
Italy	Yes
Latvia	No
Lithuania	Yes
Luxemburg	Yes
Malta	No
Netherlands	Yes
Norway	Yes
Poland	Yes
Portugal	Yes
Romania	Yes
Slovak Republic	Yes
Slovenia	Yes
Spain	Yes
Sweden	Yes
Turkey	Yes