

ERGEG Customer Focus Group

***Workshop on
Obstacles to Supplier Switching***

Paris

23rd September 2008

David Johnson

**Chairman
Supply & Markets Development Committee**



THE EUROPEAN UNION OF THE NATURAL GAS INDUSTRY

Introduction to Eurogas

- Eurogas is the natural gas industry association in Europe
 - 40 members from 25 countries
 - 12 federations
 - 27 companies
 - 1 international organisation
- Supply & Markets Development Committee
 - One of the main policy committees of Eurogas, representing gas suppliers
 - Focus
 - To work for a pro-competitive, non-discriminatory, robust and growing gas market, to the benefit of consumers
- Main areas of SMDC work
 - Customer switching in the domestic gas market
 - Customer protection
 - Sustainability
 - Energy efficiency



Some obstacles to supplier switching in the gas market

- No alternative suppliers
 - Market unattractive for new entrants
- Lack of customer understanding
 - Customers may not understand the competitive market (roles of DSOs, suppliers)
 - Customers may not know how to switch (Who are the alternative suppliers? Are they credible?)
- Fear
 - Customers may be afraid to switch (Will I need a new meter? what if my supplier goes out of business?)
 - Customers may be put off by the switching process (too long, too much trouble, risk of errors)
- Switching to another supplier unattractive
 - Saving not significant
 - Low regulated gas tariffs (& electricity too!)

ERGEG Best Practice Propositions

- Eurogas welcomed ERGEG Best Practice Propositions in 2006
 - Supplier switching process
 - Price transparency
 - Customer protection
- Switching
 - Need for robust, automated and efficient switching process
 - Reasonable switching period
- Price transparency
 - Comparable pricing information
 - Websites
- Customer protection
 - Well-informed customers
 - Responsible selling practices
 - Fair contract terms

Importance of good industry processes

- New supplier as primary contact point for customers
- Neutrality of DSO
- All data necessary for switching to be readily available to industry players involved
- High quality data essential to avoid errors
- Efficient switching service
- Monitoring of problems & exceptions & identification of root causes
- Co-operation by industry players involved
- Learning from experience – modification of processes where necessary

Criteria for a well-functioning market

Market

- Low barriers to entry
- Non-discriminatory provision of network services
- Industry information accessible to suppliers
- Efficient industry processes

Customers

- Well-informed
- Confident in switching & switching process
- Vulnerable customers protected

Suppliers

- Responsible
- Responsive

Eurogas positions on key areas

Responsible selling

- Position paper on direct selling to household customers - Dec 2004

Switching

- Review of customer switching processes in the domestic gas market – May 2005
- Response to ERGEG CFG on best practice propositions – March 2006

Consumer protection

- Position paper on consumer protection in the domestic gas market – June 2006
- Paper on regulated end-user prices – Sept 2006
- Paper on gas tariffs for socially disadvantaged customers – Nov 2006
- Input to development of Consumer Charter/checklist – Sept 2007

Initiatives involving individual Eurogas members

- Voluntary codes of conduct on direct and distance selling (Belgium, GB)
 - Responsible selling
 - Better informed customers
 - Improved data quality
- Supplier code of conduct (Netherlands)
 - Responsible selling
 - Better informed customers
 - Better handling of switching
- Industry database of customer supply contracts (Netherlands)
 - Prevents duplication of contracts/no contract
 - Avoids sales of inappropriate contracts → debt prevention
- Industry code to protect vulnerable customers from disconnection (GB)
 - Increases public confidence in competitive market
- Setting up of an independent body, the “Office for switching supplier” to oversee the switching process (Spain)

Conclusions

- Establishing an efficient end-user market involves:
 - DSOs (& Metering companies)
 - Suppliers
 - Regulatory authorities
 - Consumer organisations
- In early years of domestic competition, close liaison between DSOs & suppliers essential to address data and process problems
 - Ongoing monitoring thereafter
 - Process review & improvement
- Role of regulatory authorities & consumer organisations to help educate customers and encourage good practice
- Many issues cannot be resolved by industry e.g.
 - Regulated tariffs
 - Regulation of DSOs
 - 'Public service obligations'
- But gas (and electricity) suppliers are ready to play their part in making the competitive market work for consumers

Thank you

Copies of Eurogas position papers on the retail market
may be found under
www.eurogas.org