

## CEER Citizens' Q&A

### CEER Report on Innovative Business Models and Consumer Protection Challenges

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#### 1 What is the CEER Report on Innovative Business Models and Consumer Protection Challenges?

In 2012, CEER and BEUC<sup>1</sup> (the European Consumer Organisation) launched their joint 2020 vision for Europe's energy customers. The vision was centred around five key principles for consumers that should form the core of European energy legal frameworks – *reliability, affordability, simplicity, protection and empowerment*.

The vision was refreshed in 2020 as the [“CEER-BEUC 2030 Vision for Energy Consumers – LET'S ASPIRE”](#)<sup>2</sup>. A sixth key principle was added, *inclusiveness*, with a view to ensuring no consumer is left behind as we move through the energy transition.

Technological developments, in and outside the realm of the energy sector, promote the emergence of new business models and services for consumers.

This report seeks to identify and describe some of these emerging business models and suggests what appropriate regulatory action may be required to protect consumers in line with the 2030 CEER-BEUC vision LET'S ASPIRE.

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<sup>1</sup> <https://www.beuc.eu/>

<sup>2</sup> [CEER-BEUC 2030 Vision for Energy Consumers](#), 13 October 2020.

## **2 Why is it useful to look at consumer protection with these emerging new business models and services for consumers and what are the challenges?**

Europe’s energy markets are becoming ever-increasingly underpinned by improvements in 4G/5G communications and other advances in digitalisation and technology. For instance, a smart meter is capable of recording and transmitting energy consumption readings down to 15 minutes increments. In addition, there are innovative incentive systems designed to shift energy consumption from peak periods (when the demand for energy is highest) to times of the day when electricity is cheaper and more readily available.

More and more consumers are also generating their own energy. Self-consumption has become more widely available for consumers due to technological improvements. Its growth as well as new business models related to self-consumption have raised new concerns about the impacts on various facets of energy markets. In particular, the so-called ‘prosumer’, i.e. a consumer that can produce his/her own energy, has generated enough energy to produce a surplus that can then be traded in the system, which brings additional considerations.

Furthermore, smart appliances, which are part of the “internet of things<sup>3</sup>”, allow consumers to have greater control over their consumption patterns. For instance, smart appliances allow consumers to clearly identify how much energy an appliance consumes and therefore chose when to turn it on and off, based on when electricity is relatively cheaper.

Finally, the number of electric vehicles driving Europe’s roads is also increasing at a very fast pace. This has implications not only for when the vehicles are out and about using charging stations, but also their connection to household networks and the attachment of batteries to the network.

All these developments create new opportunities for energy consumers, while at the same time, posing challenges for the energy network and energy consumers themselves.

The Report on Innovative Business Models and Consumer Protection Challenges analyses four core challenges for consumer protection in this new environment:

- Ensuring that new entrants have sufficient access to the market;
- Ensuring that consumers have sufficient choice and variety in the products and services available to them. Here another standard regulatory problem arises, the Principal – Agent Problem<sup>4</sup>;
- Addressing the implications of self-consumption, for instance the impact on balancing rules or business architecture itself; and
- Addressing data access (by consumers and companies) and ensuring data protection.

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<sup>3</sup> Internet of things (IOT) is a distributed network connecting physical objects that are capable of sensing or acting on their environment and able to communicate with each other, other objects, such as machines or computers.

<sup>4</sup> It refers to the scenario where one party (the Principal), typically the consumer, instructs a second (the Agent), typically the supplier/aggregator, to perform actions on their behalf. A problem arises when the objectives of the two parties are not perfectly aligned. Thus, there is a risk of the Agent taking advantage of their position, potentially against the best interests of the Principal

### 3 What does the report recommend for innovative business models and consumer protection challenges?

For each main type of consumer protection challenge identified, the report includes some key recommendations.

Concerning **new entrant access and innovation**, all stakeholders, including new businesses, must have equal market access and equipment interoperability.

Regarding the **consumer choice and the 'Principal-Agent Problem'**, CEER recommends that products should be accessible by third parties in order to reduce possible lock-in effects of certain contracts, which make it difficult for consumers to switch to a competitor. Consumers should also be adequately informed, in a clear and simple manner, about new technologies and basic financial concepts.

To deal with the challenges related to **self-consumption**, national energy regulators must define clear rules to ensure that self-producing consumers fully understand their role in the energy system. Regulators should also modify their retail market monitoring practices to include the impact of self-consumption on market dynamics and in network cost recovery.

Finally, CEER believes that **data access** is key for the development of innovative services. Thus, regulators must ensure that frameworks and technological infrastructure for third-party data access are designed to be transparent and simple. **Data protection** is also crucial – consumers should be able to feel confident that their personal data is safeguarded and treated with all due respect for data privacy. Regulators must uphold cybersecurity as a key priority and work closely with experts from outside the energy sector to keep the energy system safe.

For the full list of recommendations, please refer to the conclusions chapter of the report.

### 4 What is the impact on energy consumers?

National Regulatory Authorities are best placed to evaluate innovative business models and consumer protection challenges to ensure that markets truly benefit consumers. Consumers should be aware of new models emerging on the market and their corresponding rights, so they can take full advantage of the [new] possibilities retail markets can offer.