

## CEER Citizens' Q&A

### CEER Monitoring Report on the Performance of European Retail Markets in 2017

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#### 1 What is retail market monitoring?

The ACER Conclusions Paper “Energy Regulation: A Bridge to 2025” highlights the importance of competitive and fully integrated internal markets for all European consumers and states that an efficient monitoring of retail markets is vital to evaluate progress and assure that its (positive) effects are to the benefit of all consumers. ACER and CEER publish an annual market monitoring report with one volume that focuses on certain aspects of retail energy markets.

The main objective of the monitoring exercise done in this CEER report on retail energy markets is to provide further analysis on some of the most important aspects and performance indicators of retail markets, allowing a more in-depth and comprehensive understanding of their performance and evolution.

#### 2 What does the Report propose?

Given the increasing importance of electricity and gas retail markets, CEER analysed some key indicators identifying the functioning of retail markets, existing barriers and problems as well as proposed ways to overcome them. CEER's work focused on data provided by national (energy) regulatory authorities (NRAs) on a yearly basis. After a detailed in-depth analysis of retail market developments, examining market structures, switching rates and price regulation, CEER proposes to further work on e.g. providing a level playing field for market participants in order to facilitate competition, supplier switching and the offering of greater product variety.

#### 3 How does it work?

The referred-to report sets out final CEER data related to the monitoring of retail markets, as well as ways to overcome market barriers. It consists of analyse of retail market developments and examination of market structures, product offers, switching rates and price regulation.

The report states that a well-functioning retail market requires sufficient number of active suppliers and robust competition among them. Although new suppliers in the MS are mainly national, there are several suppliers which are acting on an international level.

As a result of unbundling, other liberalisation measures over the years and favourable wholesale market access and price conditions, many new companies have entered retail markets and are operating as alternatives to incumbent suppliers. Despite the slow decrease in the shares of the three largest suppliers in many countries and persistent high levels of market concentration in most EU electricity and gas retail markets, some positive developments can be reported for 2017.

In most cases, switching rates in 2017 were significantly higher than the average of the years from 2012 to 2016. This might be a positive impact of policy measures set at European and national level and their potential impact on competition.

Greater product variety on the market might also stimulate the switching activities of customers. In terms of product variety, customers have generally more choice for electricity than for gas. For electricity and for gas, the most common offer components are fixed and variable pricing, followed by green offers for electricity and online pricing/billing options for gas.

The number of MSs with price regulation in place remains high. The level at which the regulated price is set also plays a role, as switching seems to be less encumbered if the regulated price is still at a relatively high level.

#### **4 What Is the impact on energy customers?**

Along with protection of consumer rights, well-functioning retail energy markets are a cornerstone of delivering the best outcomes for consumers, as they enable the benefits of competition and choice to reach consumers. Hence, CEER's efforts to monitor and seek improvements to these markets deliver benefits for energy customers. This effort is based upon the four key RASP principles of the CEER-BEUC 2020 customer vision for the benefit of final consumers: *Reliability, Affordability, Simplicity and Protection and Empowerment*.