

The 2nd Workshop on the QoS - Customers in the Third Package -

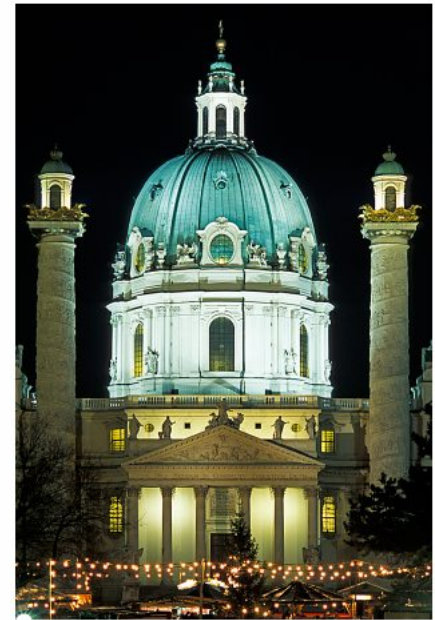
Energy Community Study:
'Assistance to regulators in
introducing and improving
service quality regulation in the
Energy Community'

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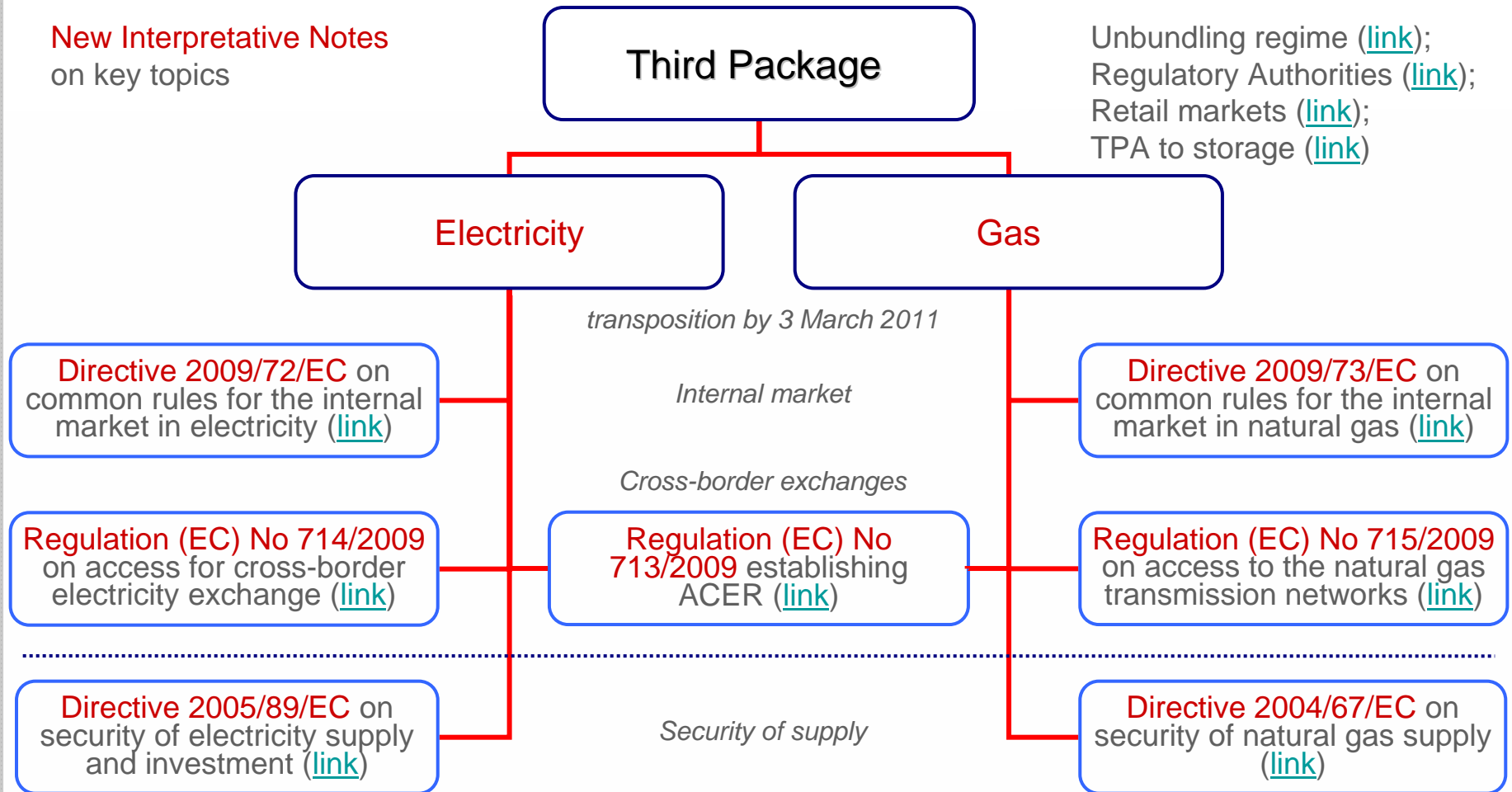
Vienna, Austria
11-12 May 2010

EU Acquis

Directives and Regulations of the Third Package

New Interpretative Notes
on key topics

Unbundling regime ([link](#));
Regulatory Authorities ([link](#));
Retail markets ([link](#));
TPA to storage ([link](#))



The Third Package

Main Related Characteristics in General

Third
Package

A new context for the achievement of a **single** European energy market
It is all about **institutions** and **regulatory** tools (Guidelines and Codes)

NRA

A minimum set of **regulatory powers**, including monitoring, enforcement and fixing or approving network tariffs or their methodologies
Independent decision making from the influence of **industry** participants and **governments**
Security of **tenure** of the management board of NRAs

NRA

Effective regulatory **oversight** by truly independent and competent NRAs
Enhancement of regulators' powers to enable them to **enforce** the legislation relevant to IEM
MSs to **extend** duties of NRAs to promote IEM within the Community and to reach **beyond** national market and national consumers

The Third Package

Main Related Characteristics in General

Unbundling

To create a level playing field by **separating effectively** T&D from G&S

To eliminate **conflict of interest**, promote network investments and prevent any discriminatory behaviour

To avoid using privileged position on transmission to **block access** to transmission grids to other suppliers

Transparency

To improve market **transparency** on network operation and supply

To guarantee equal access to **information**, make **pricing** transparent, increase **trust** in the market and help avoid market manipulation

Consumer Protection

The rights of citizens are put at the **centre** of the market opening

Strong obligations are on MSs to **protect vulnerable consumers**

Main elements: consumer protection, implementation of Annex A, public service obligations, universal service, source labelling provisions

The Third Package

Work Programme of the Regulators

Regulatory work

Customer affairs

Regulatory aspects of **customer affairs**:

- (1) *GGP on retail market monitoring*
- (2) *GGP on smart metering*
- (3) *GGP on customer complaint handling*
- (4) *Status Review on end-user price regulation as of 1 January 2010*
- (5) *CMR on the implementation status of DSO unbundling*

The Third Package on Customers Consumer Protection

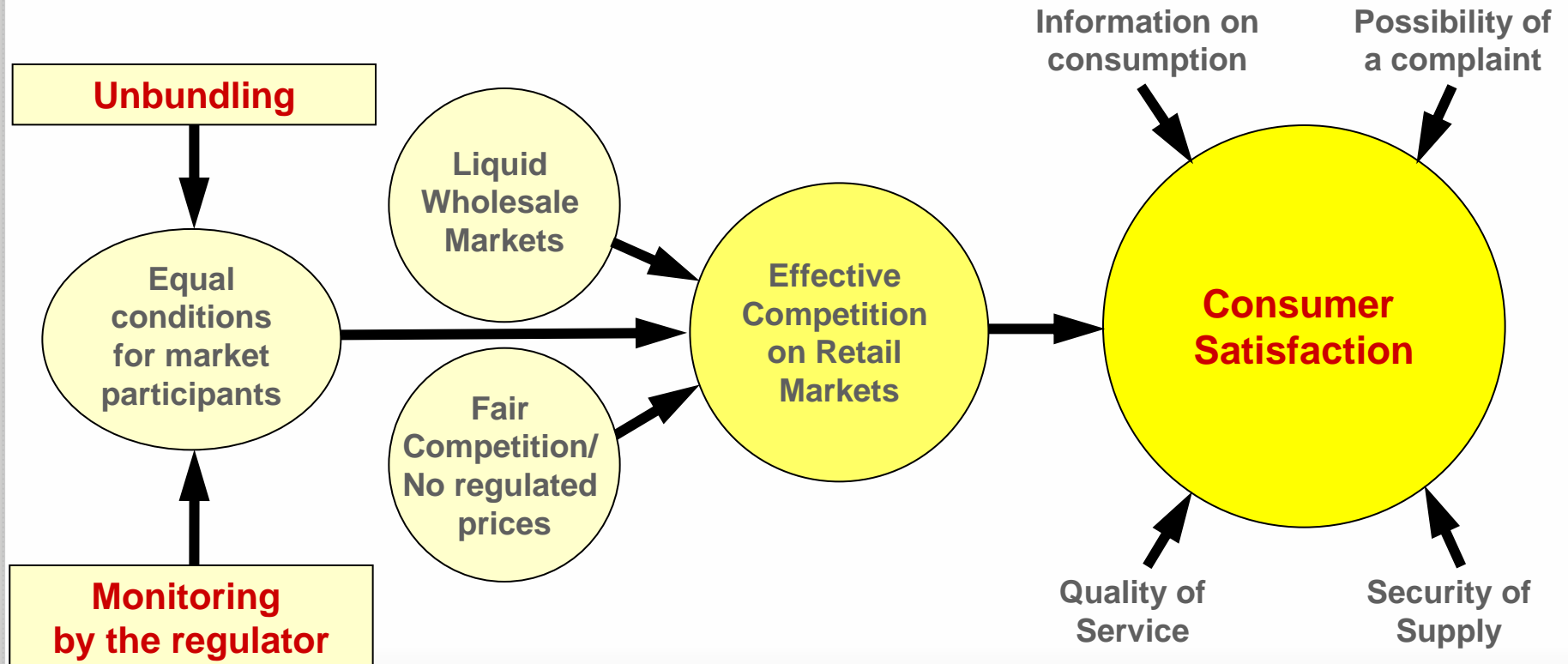


5 Top level indicators

The Third Package on Customers

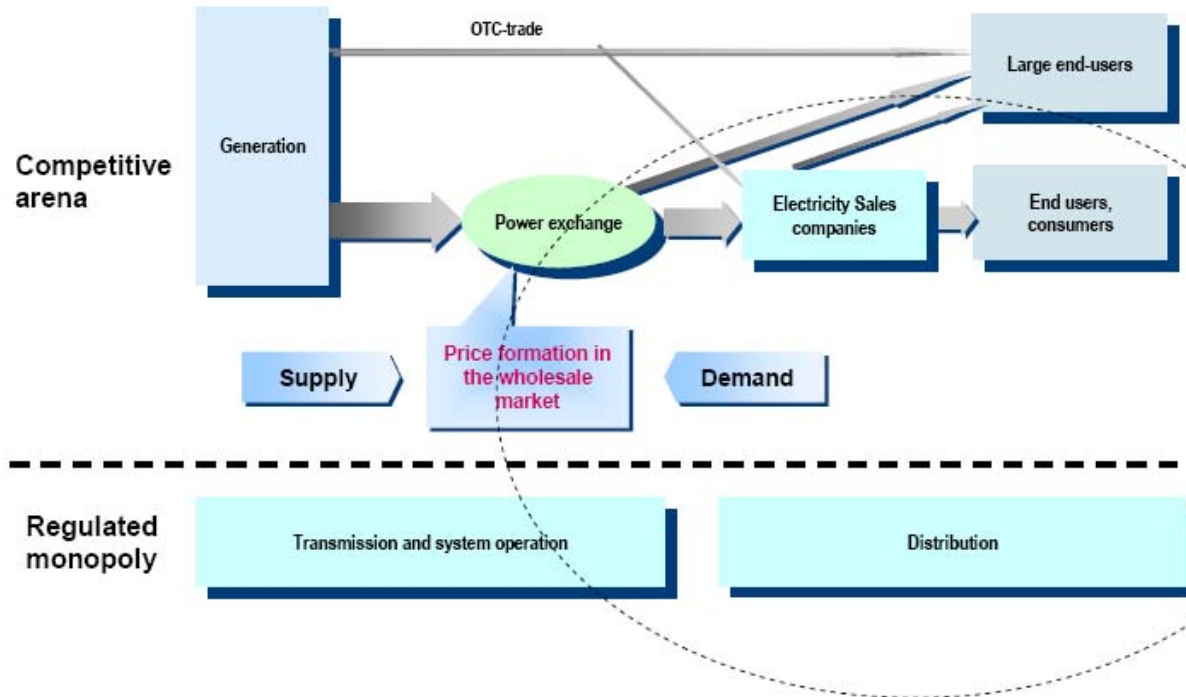
Consumer Satisfaction

Functional and informational unbundling is only one piece of the puzzle leading to effective retail competition and electricity consumer's satisfaction



The Third Package on Customers

Essentials to Make Successful Retail Market Design



(1) Working or fast-developing wholesale markets are in place

(2) Retail markets have been given time to develop

(5) Consumers receive adequate levels of consumer protection

(6) Consumers are aware that they have to actively choose a supplier ... and they do so!

(3) Price regulation has been removed or restricted

(4) Regulatory and technical entry barriers have been lowered thanks to harmonized business processes

The Third Package on Customers

The Most Important Retail Market Themes

Retail market themes

New roles for the regulatory authorities

Independence from govts and more competencies

Legally distinct, functionally independent body

Budgetary autonomy and adequate hum/fin resources

Mandate to cooperate at European level

Enhancement of statutory duties and powers

Protection measures, investigation powers, binding decisions, penalties (regulatory or courts)

New protection measures for consumers

Single point of contact for consumer information

Independent mechanism for complaints and out-of-court dispute settlement

Transparent, simple and inexpensive procedures for dealing with complaints

Definition of vulnerable customers (energy poverty)

Prohibition of disconnection at critical times

Interaction with other social policy measures

New provisions for the operation of retail market

Published rules on the roles of all market players

Monitoring of retail markets and end-user prices

Information for consumers: Consumer Checklist

New deadlines on switching and receipt of final bill

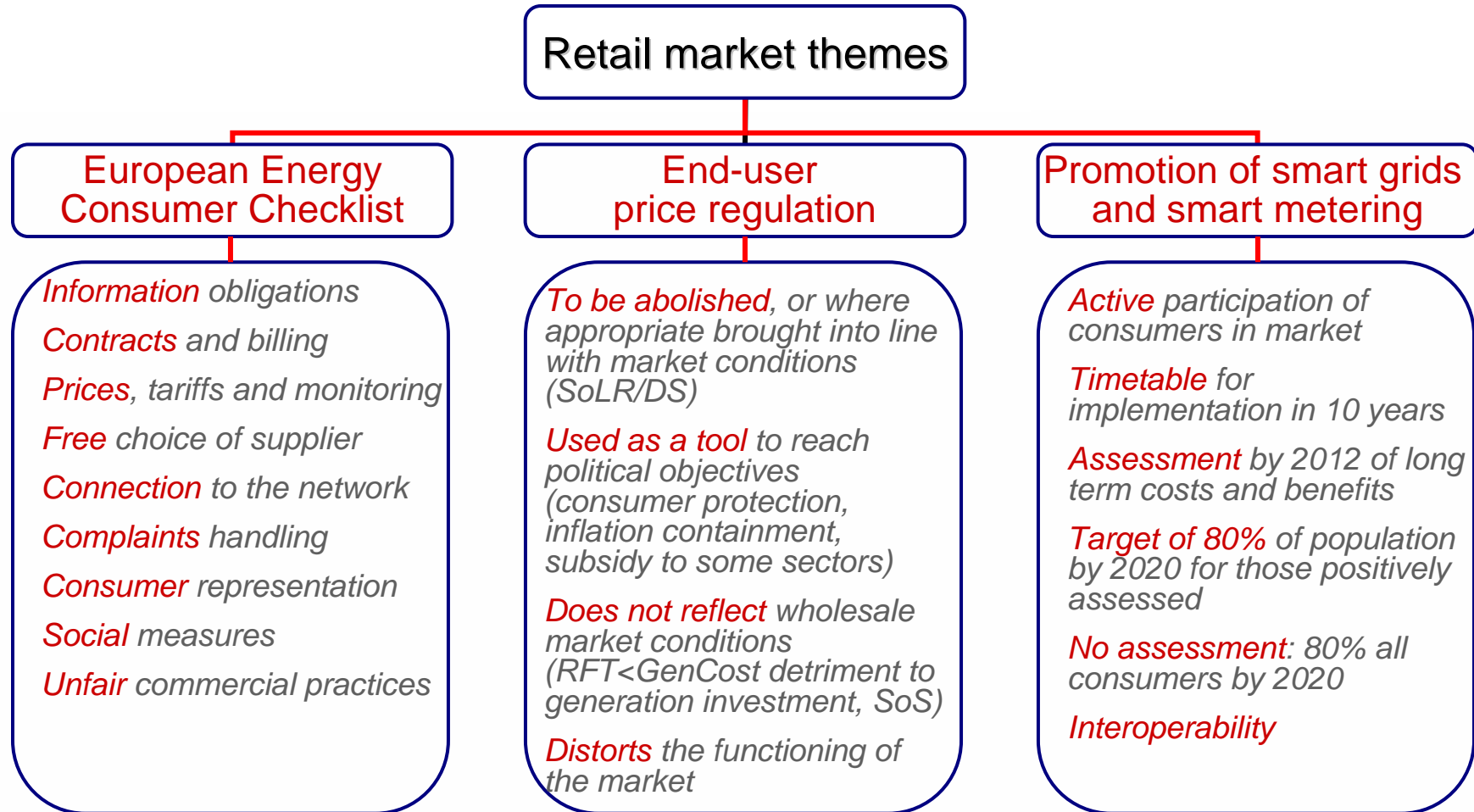
Supply to all customers by any supplier in the EU

Consumer access to consumption data and cost

Indicators for monitoring

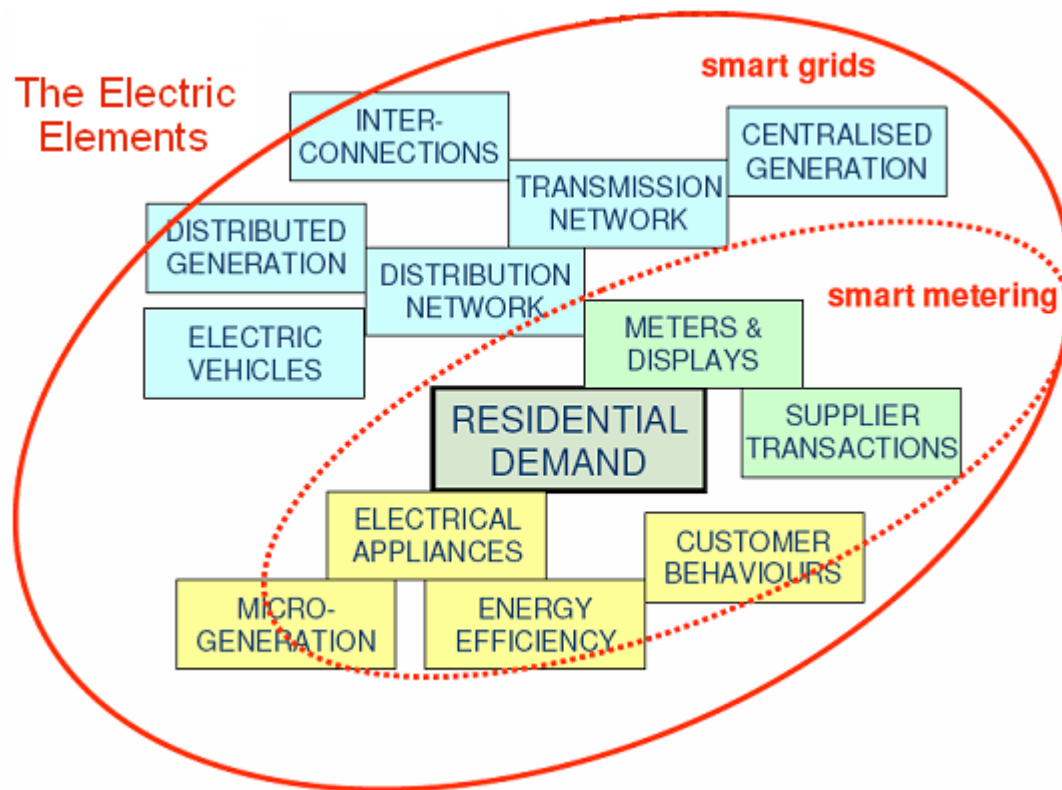
The Third Package on Customers

The Most Important Retail Market Themes



The Third Package on Customers

Objectives of Smart Metering



- (1) Improved retail competition
- (2) Time of use tariffs, peak load management
- (3) Accurate bills, frequent reading
- (4) Lower bills due to better consumer feedback
- (5) New services for consumers, including vulnerable consumers
- (6) Facilitation of microgeneration including renewable generation
- (7) Less environmental pollution due to reduced carbon emissions
- (8) Energy efficiency and savings

The Third Package on Customers

Cost-Benefit Analysis for Roll-out of Smart Meters

1. COST

- A. Capital costs (meters, communication, associated system for data handling)
- B. Operational and management costs (reading, service and re-verification)

2. BENEFIT

- A. Improvements in reading and billing
- B. New price structure and services for customers
- C. Benefits for security and quality of supply

Italy: All customers billed according to time-of-use prices (from 2010)
⇒ the distance between end-user pricing and volatile wholesale market prices is reduced

The Third Package on Customers

Cost-Benefit Analysis for Roll-out of Smart Meters

Regulatory Tools

- A. Legal obligations
- B. Financial incentives
- C. Development of meter standardisation
- D. Minimum functional requirements




Improvements

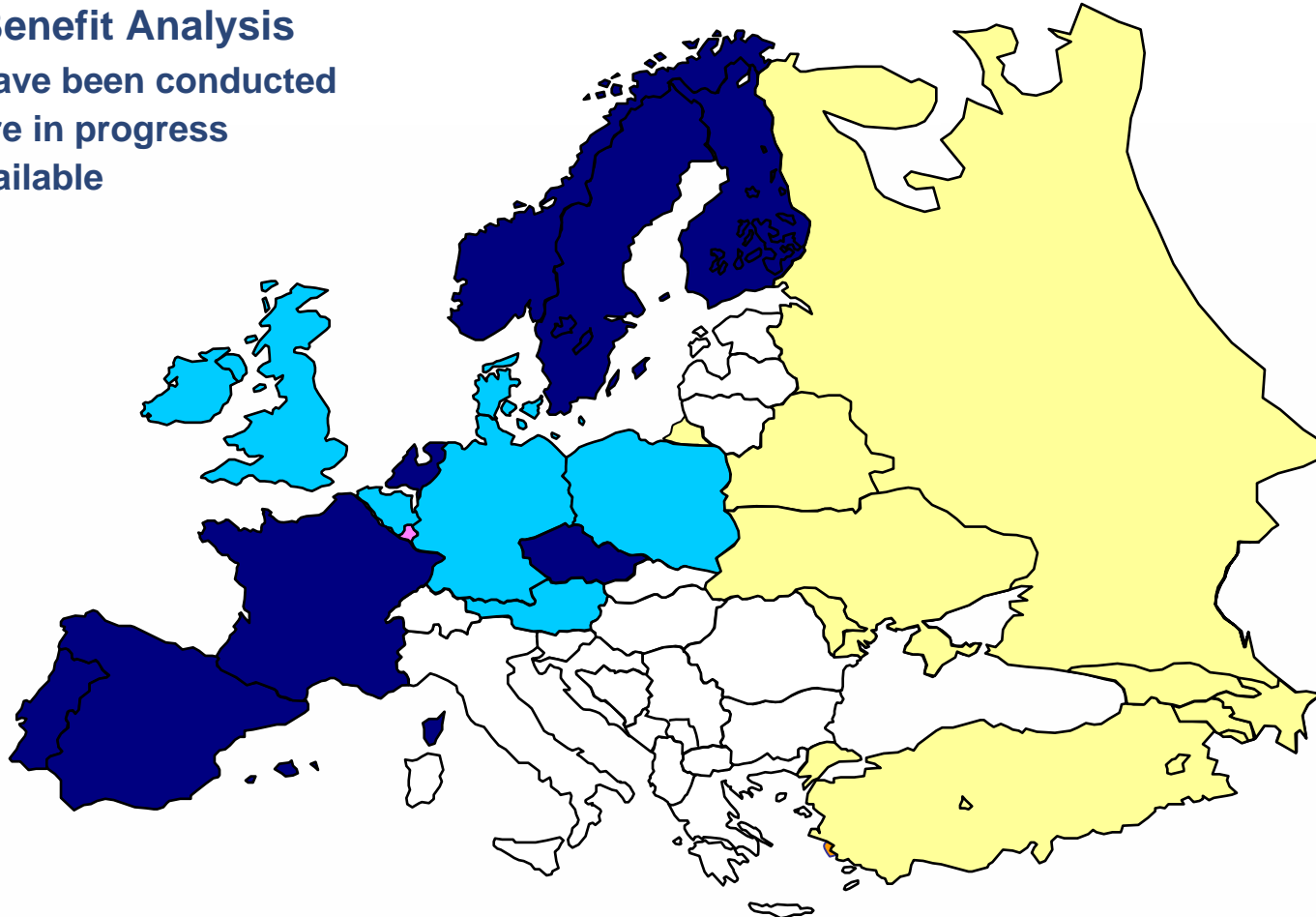
- A. Remote supply activation and deactivation; Disconnection and reconnection
- B. Temporary reduction of the contractual power for bad payers \Rightarrow less disconnections
- C. Easy switch and theft detection
- D. Monthly readings \Rightarrow no estimated billings
- E. Supply interruptions can be individually recorded \Rightarrow quality standards and penalties

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Cost-Benefit Analysis for Roll-out of Smart Meters

CBA Cost Benefit Analysis

-  CBA have been conducted
-  CBA are in progress
-  Not available

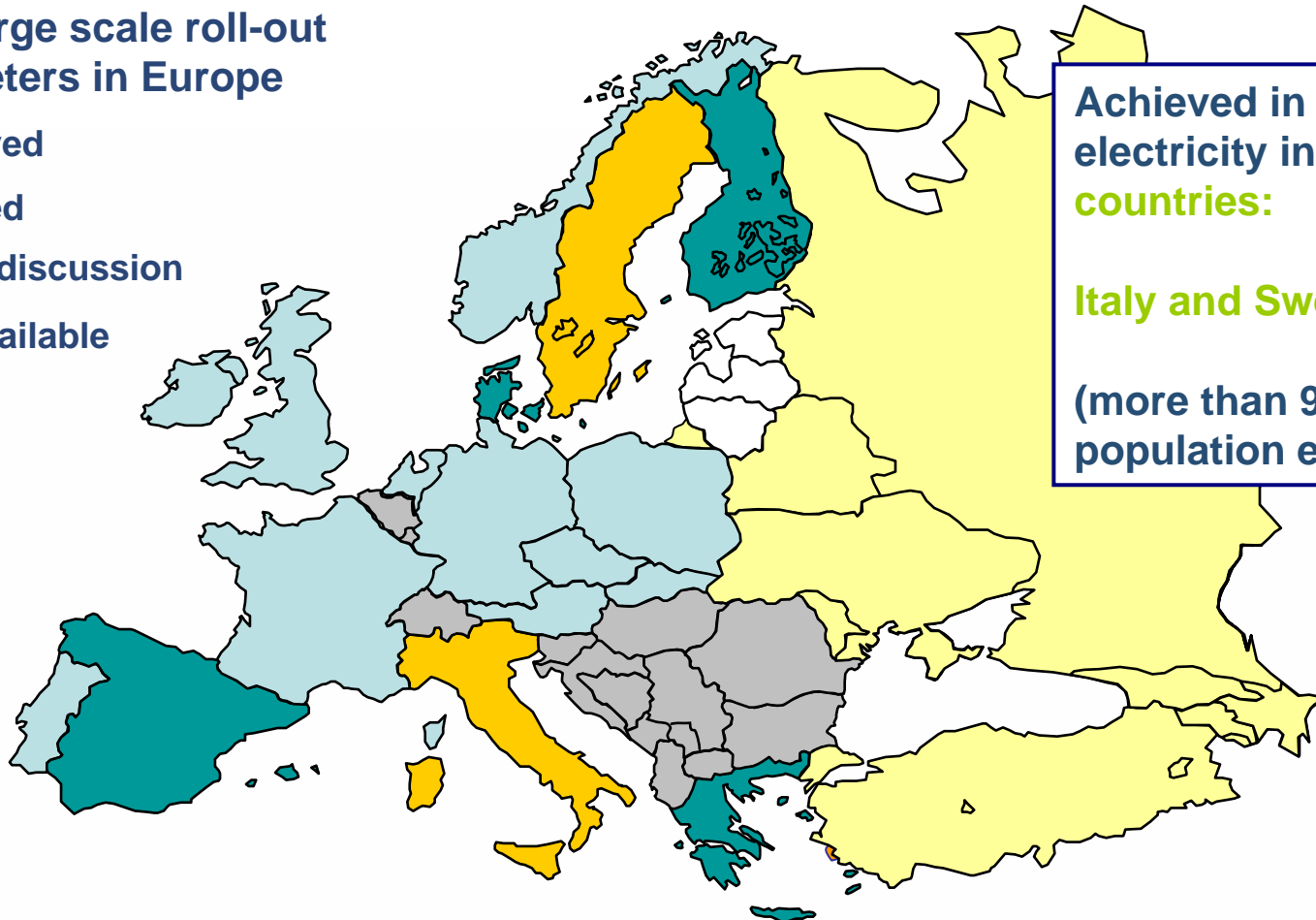


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Status of Large Scale Roll-out of Smart Meters

Status of large scale roll-out of smart meters in Europe

-  Achieved
-  Decided
-  Under discussion
-  Not available



Achieved in electricity in 2 countries:

Italy and Sweden

(more than 90% of population equipped)

The Third Package on Customers

Status of the Switching Process

Theoretical duration of switching process (Electricity)		Typical duration of switching process (Electricity)		
0-1 month	1-2 months	0-1 month	1-2 months	> 1 month
8 MS	8 MS	6 MS	7 MS	3 MS

Is it compulsory for the former supplier to settle the customer account (last bill) within a certain period?

Electricity: yes, in 10 MS					Gas: yes, in 7 MS			
the day of termination of contract	within a month	within 3 months	> 3 months	n/a	the day of termination of contract	within a month	within 3 months	n/a
1 MS	4 MS	2 MS	1 MS	2 MS	1 MS	4 MS	1 MS	1 MS

Consumers Protection and Energy Poverty

The Third Package

- **Modify** the Directives to increase public perception and competition in retail markets (especially households)
- Commission created the **Retail (Citizens') Forum**, to complement such as Madrid and Florence Forum
- **Indicators**: Data on no. of households which changed suppliers (combined with smart metering), volatility of prices, consumers optimism, energy poverty, complaints of consumers
- **Comparability** of information on prices
- **Procedures** for supplier switching
- **Protection** from unfair selling practices
- Binding rules on protection of **vulnerable** consumers

Consumers Protection and Energy Poverty

The Third Package

Expected results (1/2):

- **Strengthened rights of all consumers**, among others, by:
 - consumer** to change supplier at any given time and effected within 3w
 - companies** to resolve accounts within 6w from the change
 - consumer** to be entitled to receive all relevant consumption data
 - consumer** to be equipped with intelligent metering systems (smart meters within 10 years, subject to economic assessment)
 - consumer** to get compensation if service quality levels are not met
 - consumer** to access information on rights through bills and company web
 - consumer** to have right to independent complaint handling mechanism and out-of-court dispute settlement
 - consumer** to be informed about electricity supplier fuel mix

Consumers Protection and Energy Poverty

The Third Package

Expected results (2/2):

- **Strengthened rights of all consumers**, among others, by:
 - Large** non-household consumers to be able to choose their suppliers and enter into contracts with several suppliers
 - MSs** to guarantee universal service to all households and, if necessary, small enterprises
 - MSs** to take special protection measures for vulnerable energy consumers
 - MSs** to take appropriate measures to address energy poverty (National Energy Action Plan or benefits in social security system)
 - MSs** to guarantee necessary supply to vulnerable customers or improve energy efficiency

Consumers Protection and Energy Poverty

The Third Package

DG SANCO – Consumer Affairs in Energy ([link](#))

Consumer protection

- + *Implementation of Annex A*
 - Public service obligations*
 - Universal service*
 - Source labelling provisions*
- *Transparency and comparability of prices and services*
 - Dispute resolution*
 - Transparency of billing and metering*
 - Non-harmonised definition of vulnerable customers and SoLR*

The Retail Electricity Study:

- Information, awareness and communication*
- Switching*
- Billing*
- Prices*
- Contract terms*
- Redress and dispute resolution*
- Choice*
- Unfair commercial practices*
- Access and quality*

Concluding Remarks

- **Improve non-discriminatory network access through:**
 - More effective unbundling of operators
 - Strengthened position and cooperation between regulators
 - More coordination between operators, including on investments
- **Stronger role of national regulators with respect to:**
 - Third party access to networks (and gas storages)
 - Cross border issues
 - Balancing mechanism
 - Market monitoring, including protection of customers

APPENDIX

THE THIRD PACKAGE PARTICULARLY ON CUSTOMERS

Directive 2009/72/EC

Internal Market in Electricity

- Preamble 51

Consumer interests should be at the heart of this Directive

Quality of service should be a central responsibility of electricity undertakings

Existing rights of consumers need to be strengthened and guaranteed

- Art. 1: **Scope**

Common rules for G, T, D and S; Consumer protection; Market integration; Organisation and functioning of the sector; Open access to the market; Criteria and procedures for tenders/authorisations; Operation of systems; Universal service obligation; Consumers rights; Competition

Directive 2009/72/EC

Internal Market in Electricity

- Art. 3: **Public service obligations and customer protection (1/2)**

Non-discrimination; Subsidiarity; Universal service; Supplier of last resort; Vulnerable customers; Economic & social cohesion

PSO: security including SoS, regularity, quality and price, environmental protection including eneff, RES and climate protection

Universal service for households and, if appropriate, small enterprises

Provision of electricity by supplier regardless of MS of registration, subject to trading and balancing rules

Supplier change in 3w, customers to receive relevant consumption data

Protection of final customers, in particular vulnerable (definition)

National Energy Action Plan

Directive 2009/72/EC

Internal Market in Electricity

- Art. 3: **Public service obligations and customer protection (2/2)**

Information on fuel mix, environmental impact and rights in disputes

Undertakings to optimise the use of electricity

Single point of contact for consumers

MS to inform EC on US/PSO, including consumer protection and environmental protection; Every two years

EC to establish the energy consumer checklist; MSs to ensure it is made publicly available and consumers get a copy

Annex 1 : Contract to specify

- the services provided,

- the service quality levels offered,

- any compensation and refund arrangements which apply if contracted service quality levels are not met

Directive 2009/72/EC

Internal Market in Electricity

- Art. 4: **Monitoring of security of supply**

MS to monitor and submit a report, but it may be delegated to NRA;
S/D balance; Future demand and envisaged capacity; Quality and maintenance of networks; Measures to cover peak demand; Shortfalls of suppliers;

- Art. 5: **Technical rules**

Definition of technical safety criteria;
Minimum technical design and operational requirements for connection;
Interoperability of system;
ACER to recommend for compatibility of those rules;
Rules to be notified to the Commission

Directive 2009/72/EC

Internal Market in Electricity

- Arts. 24-29: **DSO**

Designation of DSOs; Tasks of DSOs;

Market-based procedures to deal with losses and reserve capacity;
Non-discriminatory and cost-reflective balancing methodology;

Unbundling of DSOs; Confidentiality; Closed distribution systems;
Combined TSO/DSO operator

The parent company rights in respect of return on assets, regulated directly or indirectly, to be protected in a subsidiary

The parent company to have right to approve annual financial plan or level of indebtedness of a subsidiary

Directive 2009/72/EC

Internal Market in Electricity

- Art. 35-40: **National Regulatory Authorities**

Fixing or approving T or D tariffs or their methodologies; Ensuring compliance of TSO, DSO or system owner; Ensuring that there are no cross-subsidies between T,D and S activities; Reporting annually to MS, ACER and Commission

Cooperation on cross-border issues with other NRAs and ACER; Complying with and implementing any relevant legally binding decisions of ACER and Commission

Monitoring investment plans of TSOs; Reviewing security/reliability rules; Setting/approving standards for QoS; Monitoring transparency, including of wholesale prices; Monitoring market opening and competition at wholesale and retail levels...

Monitoring restrictive contractual practices – exclusivity clauses which may prevent contracting simultaneously with more than one supplier

NRA to issue binding decisions; Impose or propose to court to impose up to 10% penalty on TSO or VIC

Directive 2009/72/EC

Internal Market in Electricity

- Art. 37.1.h: **National Regulatory Authorities**

Duties and powers of Regulatory Authorities

monitoring compliance with and reviewing the past performance of network security and reliability rules

and

setting or approving standards and requirements for quality of service and supply or contributing thereto together with other competent authorities

Directive 2009/72/EC

Internal Market in Electricity

- Art. 41: **Retail markets**

Well functioning and transparent retail markets

Roles and responsibilities of TSOs, DSOs, suppliers, customers and other market participants to be defined with respect to:

- contractual arrangements

- commitment to customers

- data exchange and settlement rules

- data ownership and metering responsibility

Rules to be made public and to facilitate customers' and suppliers' access to networks

Rules to be subject to review by NRA or other relevant national authorities

Large non-household customers to have right to contract simultaneously with several suppliers

Directive 2005/89/EC

Security of Electricity Supply and Investment

- Art. 4(2): **Operational network security**

MSs or the competent authorities shall ensure that transmission and, where appropriate, distribution system operators set and meet quality of supply and network security performance objectives

These objectives shall be subject to approval by the MSs or competent authorities and their implementation shall be monitored by them

They shall be objective, transparent and non-discriminatory and shall be published