ERGEG's activities in the field of customer protection

Overview

ECRB Workshop:

Ways of improving participation of consumer representations in the regulatory process

Vienna, 8 Sept 2010

Agenda

- ERGEG's work for customers
- Fields of interest in recent years
- Main findings
  - Transposition of consumer rights
  - Definitions of vulnerable customers, default supplier and SLR

ERGEG's work for customers

The ERGEG's Customer Working Group (CWG) is dedicated to putting the interests of consumers first by

- promoting customer empowerment and
- working on retail market functioning

Goal: **Facilitate the development of competition** in the energy consumers' interests

The CWG has **two task forces**:

- ***Customer Empowerment* (CEM) Task Force**, working on customer complaint handling, billing and end-user price regulation.
- ***Retail Market Functioning* (RMF) Task Force**, which deals with retail market monitoring and smart metering.

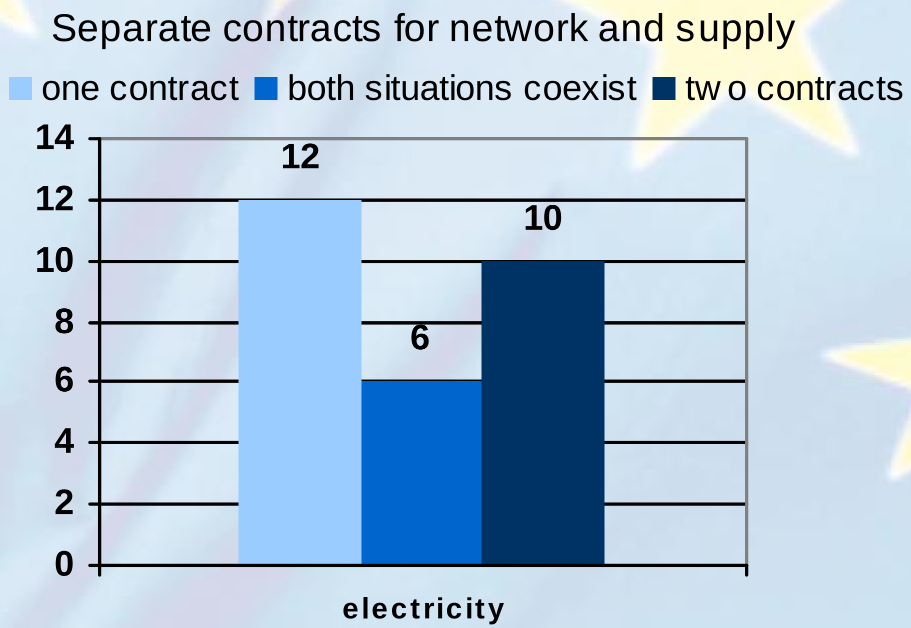
ERGEG's fields of interest related to customers

- 2008
  - **Transposition on Customer Rights**
  - Obstacles for Supplier Switching
- 2009
  - **Definitions of Vulnerable Customers, Supplier of Last Resort and Default Supplier**
  - Smart Metering
- 2010 - ongoing
  - Customer Complaints Handling
  - Implementation of EC Good Practice Guidance on Billing
- End-User Price Regulation

Transposition of consumer rights 2008

- Fields covered – Annex A of Energy Directives
  - Contractual relationships
  - Combined or separate bills
  - Information prior to signing contract
  - Dispute resolution mechanisms
  - Choice of payment methods
  - Information on consumption and costs
  - Existence of price comparators
  - Supplier switching process
  - Sources of information

- Contractual relationships

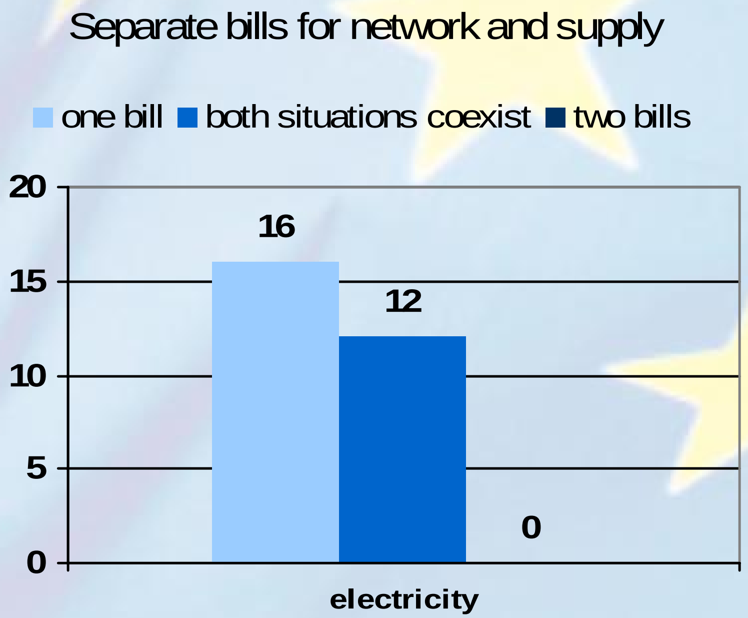


→one contract (often with the supplier) or two contracts, in some countries both situations coexist, in some countries there are no written contracts (especially with DSO)

• Combined or separate bills

→there is no correlation between having one or two contracts and receiving one or two bills

→ more than 50% of Member States (MS) have one single bill, in the other countries both situations coexist, almost no country with a provision for having two bills

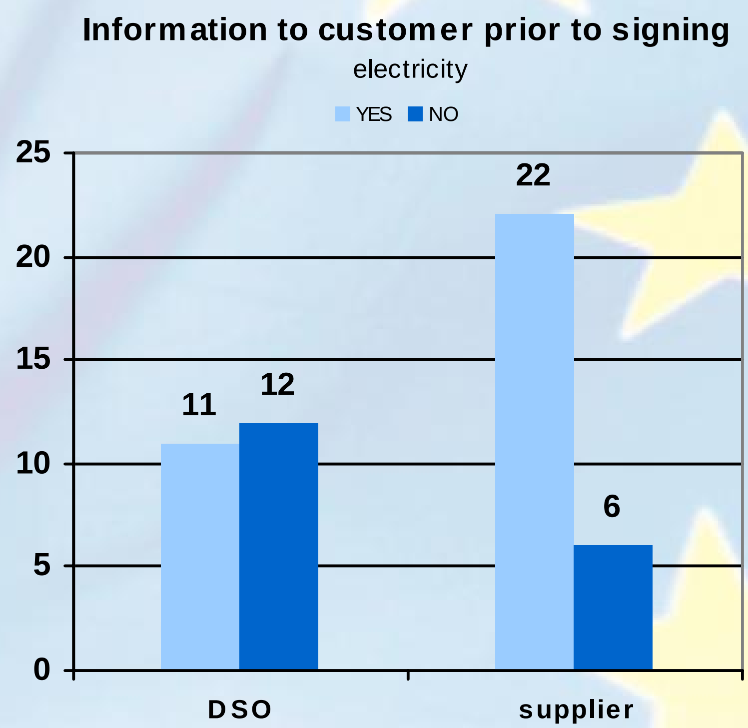


→in 2/3 of MS without regulated prices, suppliers have the obligation to separate amounts for supply price and network charges on bill(s)

- Information prior to signing contract

customers have to be informed of the most relevant aspects of the contract prior to signing it – Annex A (a)

→ high level of transposition



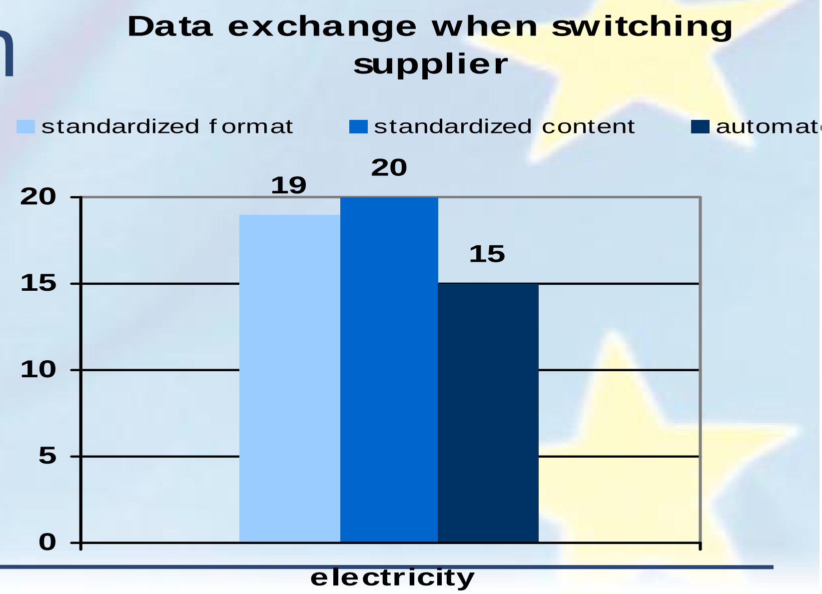
- ## Dispute resolution mechanisms
  - ADR Board exists in about 2/3 of MS
  - 9 NRAs are responsible for this board

- ## Choice of payment methods
  - Only few countries have such a requirement for DSOs
  - Half of countries have an obligation for suppliers to offer more than one payment method

Transposition of consumer rights 2008

- Information on consumption and costs
- requirements vary from once a month to every three years
- majority of MS: requirement to inform customers on an annual basis
  - Still: bills based on estimated consumption are common
- Existence of price comparators
- in 16 MS for electricity, only in 8 MS for gas
- in half of the MS price calculators are provided by NRAs
- in 13 out of 16 MS they are provided by private companies (often in addition to an „official“ one)

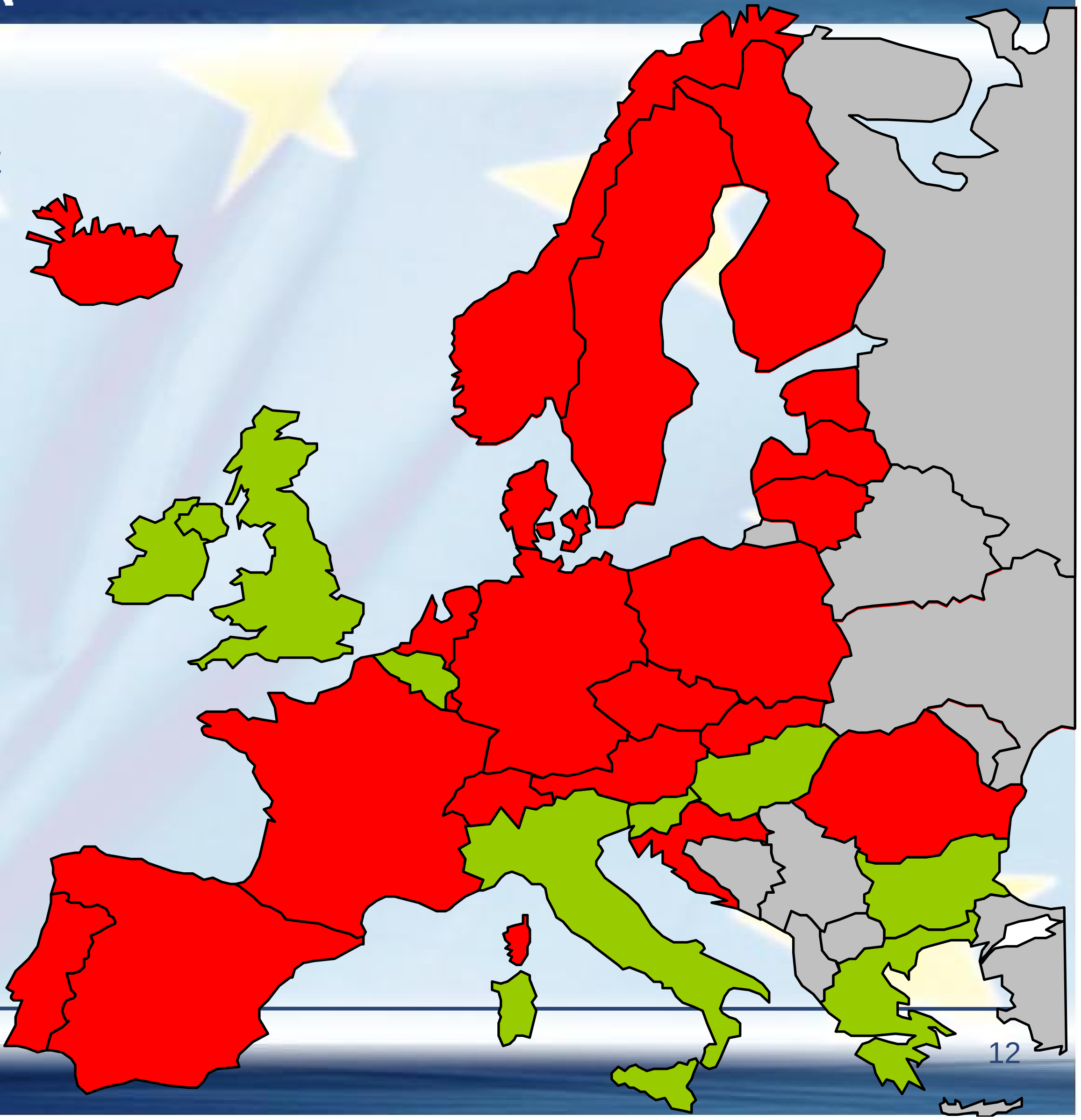
- Supplier switching process
  - in one thirdd of MS customers have to be in contact with more than one market actor
  - Improvement necessary to ensure customer confidence and convenience in switching suppliers
- Sources of information
  - Key tool: bill
  - Often relevant information can only be found online
  - Responsibility of market actors



Vulnerables, SLR, default supplier 2009

EU directives mention the term vulnerable customer while it is not defined.

In **8 out of 27 countries (~30%)** the term "vulnerable customer" is commonly known or used.



Term not known

Term is known

Not available

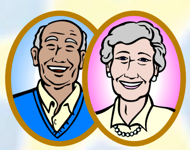
Vulnerables, SLR, default supplier 2009

Main target groups for economic support systems within energy sector are:

All households with a defined low income

7 countries (electricity)

8 countries (gas)



Elderly people (with a defined low income)

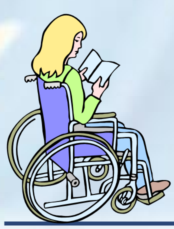
3 countries (electricity)

2 countries (gas)

Families with children (and a defined low income)

2 countries (electricity)

1 country (gas)



Disabled persons (with a defined low income)

4 countries (electricity)

3 countries (gas)

Means of support

Figure 2 – What does your economic support system within the energy sector consist of? (electricity and gas)

	Supply: specific regulated prices for certain consumer groups	Supply: specific prices (not regulated) for certain consumer groups	Network: a specific tariff for certain consumer groups	Other
ELECTRICITY	Belgium, France, Romania, Slovenia, Spain	Great Britain	Italy, Spain	Bulgaria, Great Britain, Greece, Ireland
GAS	Belgium, Estonia	France, Great Britain		Austria, Bulgaria, Great Britain, Hungary, Ireland, Italy, Romania

Other means may be:

Heating aids (A), trust funds and cold weather payments (UK), government subsidy (IE), financial benefits for heating (RO),…

NRAs do not have data on how many people/households qualify and receive support → Not within NRA`s competence

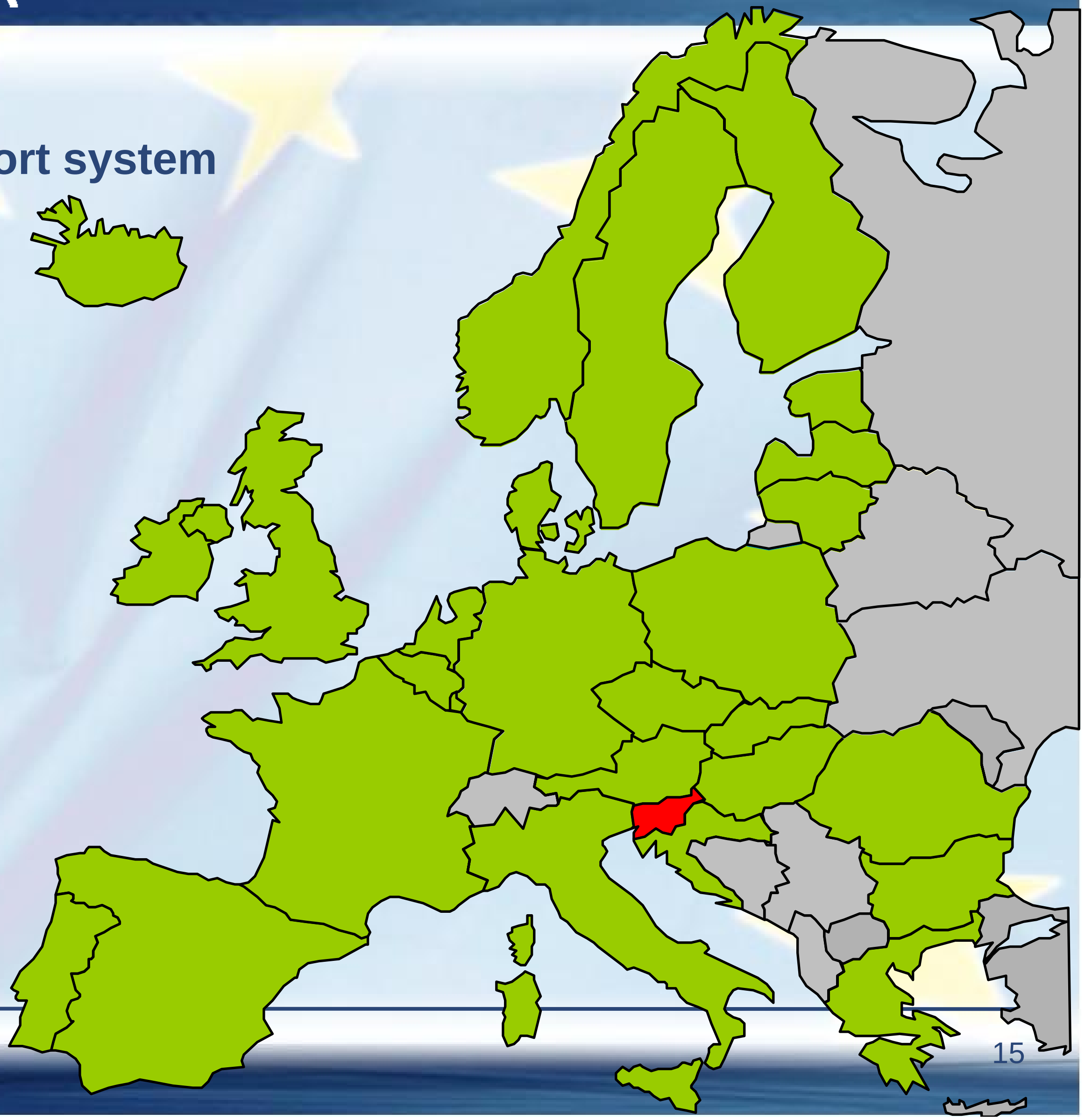
Vulnerables, SLR, default supplier 2009

Nearly **all countries** have a

mandatory, economic support system

<u>outside</u> the energy system

→ General social systems



Support system outside energy system does not exist

Support system outside energy system exists

Not available

Non-economic support system

~ 60% of all countries in electricity

~ 59% of all countries in gas

Have protection systems against disconnection

Other non-economic support schemes:

- Special services such as
  - more meter readings,
  - bills read via phone or in Braille
- Information duties

Conclusions – vulnerable customers

- There are **different ways** of supporting weak energy customers.
- A majority of the countries do not have **specific economic support systems** for vulnerable customers **within the energy sector**.
- Almost **all countries** have **support systems**, ***not* specific to the energy sector**.
- A majority of the countries also have **non economic support systems**, such as protection against disconnection.
- **Few countries** use the term **vulnerable customers** but: there are support systems in most countries.
- Some countries do still have **specific regulated prices** for certain customer groups.
- Support systems must not hinder competition but allow those customer groups to actively take part in the liberalized market to profit from cheaper offers and to be able to shop around for the best deal.

„default supplier“ is used in 11 countries.

Meaning of the term may differ. The term is in use for the following situations:

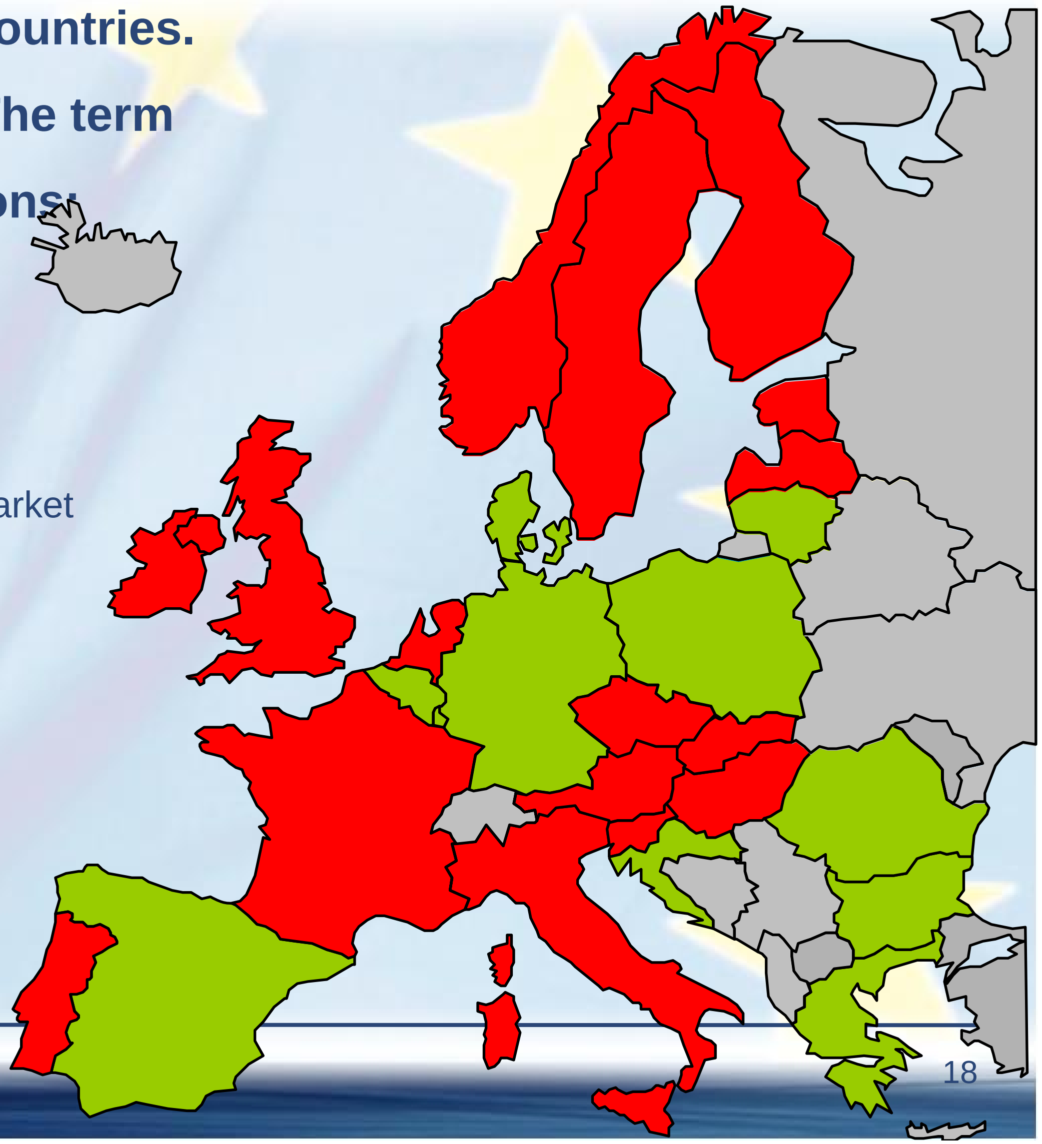
- Customer does not choose supplier (9 times mentioned)
- Moving in without choosing supplier (7 mentions)
- Customer cannot find supplier on the market (7 mentions)
- Supplier going bancrupt (4 mentions)
- Expired contract (3 mentions)
- Other (1 country)

Situation similar for gas

Term not used

Term used

Not available



Conclusions – default supplier

- There is **no definition** of default supplier in most countries.
- For countries which have a definition it is most common that the default supplier is activated
  - when the customer is passive and does not choose a supplier or
  - when the customer cannot find a supplier on the market
- There is normally **no time limit** for the default supplier to provide the service.
- This system does **not promote activity** among the customers.
- A limitation - given **sufficient and adequate information** is presented to customers - would empower customers to make a choice of available suppliers and strengthen the competition.
- The default supplier is most commonly **designated by the regulator**.
- It is usually the **incumbent supplier** who acts as the default supplier.
- → Barrier for market entry for new suppliers
- This is not an ideal situation if competition amongst suppliers should be promoted and enhanced.

Concept of supplier of last resort

Concept of „SLR“ is used in

20 countries (electricity) for the following situations:

- Supplier going bankrupt (15 times mentioned)
- Customer cannot find supplier on the market (8 mentions)
- Customer does not choose supplier (5 times mentioned)
- Moving in without choosing supplier (3 mentions)
- Expired contract (3 mentions)
- Other (4 mentions)
- Customer non-payment (1 mention)

In a majority of countries, a definition of supplier of last resort exists.

→ Different situation than for default supplier

→ twice as many countries define SLR compared to default supplier

Who is the supplier of last resort?

In the majority of countries the regulator designates the default supplier.

In 11 out of 20 countries, the imcumbent is the SLR and can offer this service without time limits.

In other cases, the SRL is

- The DSO (BE)
- The winner of a tender/auction (CZ, I)
- Any supplier (A, GB)
- Volunteering suppliers (HU)
- Market leader in a network area (GE, NL)

Conclusions – supplier of last resort

- A majority of the countries **<u>have a definition</u>** of supplier of last resort.
- **<u>Twice as many</u>** of the responding countries define the term supplier of last resort compared to the term default supplier.
- It is not unusual that the **<u>default supplier also acts as the supplier of last resort</u>**, or *vice versa*.
- The definition of supplier of last resort applies in most countries
  - when a supplier goes bankrupt.
- Customer non-payment is however one of the situations when the system is not activated.

- The supplier of last resort is most commonly **<u>designated by the regulator</u>.**
- It is usually the **<u>incumbent supplier</u>** who acts as the supplier of last resort.
- The service of the supplier of last resort is **<u>not time limited</u>** in most cases.
- → Barrier for market entry for new suppliers
- This is not an ideal situation if competition amongst suppliers should be promoted and enhanced.

Thank you for your attention.