



MYTHS & REALITIES of

European Electricity
RETAIL MARKETS

WHY IS THERE A NEED TO REVEAL THE RETAIL MYTHS AND REALITIES?

A number of myths tend to hijack the European debate on retail electricity markets. Common misconceptions include claims that energy bills increase due to rising company profits, or that energy suppliers intentionally make it difficult for consumers to compare offers. These myths need to be addressed and the realities properly clarified and explained.

The record must be set straight to allow the debate to focus on the real issues preventing retail electricity markets from functioning properly. In this respect, it is crucial to fully and constructively engage consumers.

To challenge these enduring retail myths, we consider the following elements: the nature of the myth; the reality; and supporting evidence with quotes from authoritative sources such as European and national regulatory authorities or the European Commission.

In a limited number of markets, where the situation is more complex, it can be harder to debunk some of the myths. Where this is the case, we focus on further clarifying the intricacies to give a more accurate picture of the reality.



EURELECTRIC in brief

The Union of the Electricity Industry – EURELECTRIC – is the sector association representing the common interests of the electricity industry at pan-European level. Our work covers all major issues affecting our sector, from electricity generation and markets to distribution networks and customer issues. Our current members represent the electricity industry in over 30 European countries, including all EU Member States. We have also affiliates and associates on several other continents. Our structure of expertise ensures that input to our policy positions, statements and in-depth reports comes from several hundred active experts working for power generators, supply companies and distribution network operators. We have a permanent Secretariat based in Brussels, which is responsible for the overall organisation and coordination of EURELECTRIC's activities.



Let's debunk the retail electricity myths and focus on the real issues preventing customer empowerment.

ENERGY BILLS INCREASE DUE TO RISING COMPANY PROFITS

Many consumers believe that electricity company profits make up a large part of their energy bill. In the UK market for instance, a 2014 SSE/Yougov study showed that 30% of the surveyed consumers thought that energy supplier profits represent the largest part of their energy bill¹.

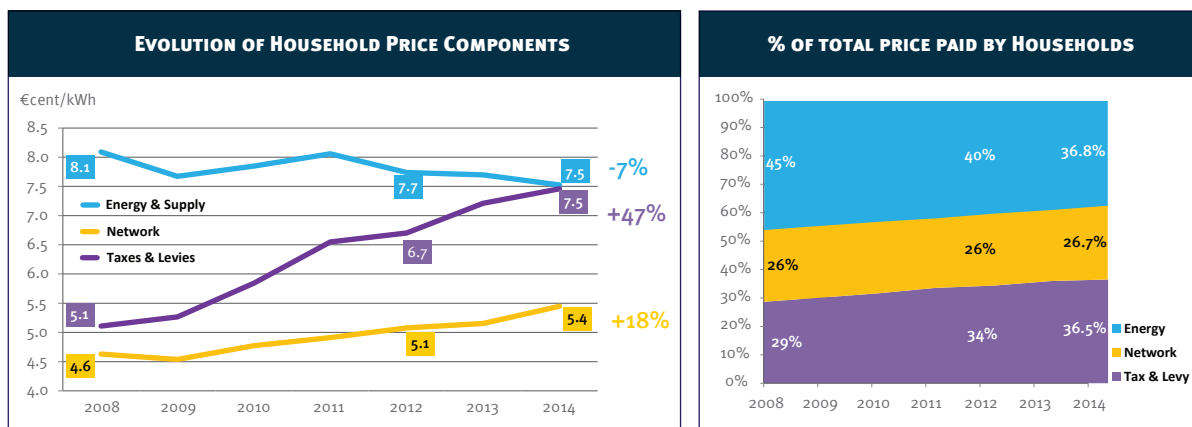
Reality

Rising retail electricity prices are largely a result of government add-ons, not of suppliers' margins. Throughout Europe, a strong and steady rise of taxes and charges aimed at financing governmental policies for renewable energy, energy efficiency and social support can clearly be observed.

Over the past years, due to the liberalisation of electricity markets and the increase in competition, wholesale prices have decreased and suppliers' operations have become more and more efficient, driving costs down. Today, the energy component only represents about a third of the average retail electricity bill in Europe.

Suppliers' margins are - like in any other market - linked to a number of variables and they vary depending on the level of service, the type of contract, the profile of consumers, etc. However, in the EU, margins generally represent a very small part of consumers' energy bills².

Evidence



Average EU figures – Source EURELECTRIC 2016

Quote

“Looking at trends in energy prices since 2008, the following main conclusions can be drawn: electricity prices, but even more importantly, costs, continued to rise overall for both households and industry, despite falling or stable levels of consumption. (...) This rise in prices is driven mainly by increases in taxes/levies and network costs.”

(Communication from the European Commission on “Energy prices and costs in Europe“, 2014, p. 13)

“The results of the analysis (...) support the conclusions (...) that the energy component of electricity and gas retail prices has declined. RES charges, which represent a significant share of the non-contestable charges, have off-set the benefits from the falling energy component in several capital cities.”

(2015 ACER/CEER Market Monitoring Report, p. 31)

¹Putting the customer first – How can we drive real consumer engagement with energy“, SSE and Yougov report, 2014: http://sse.com/media/268325/SSE_YouGov-Report.pdf

²Based on informal discussions with our members, suppliers' margins are estimated to make up less than 5% of consumers' bills in most EU member states.

CONSUMERS DON'T SEE THE BENEFIT OF DECREASING WHOLESALE ELECTRICITY PRICES IN THEIR BILLS

It is often argued that decreasing wholesale prices are not passed on to consumers. Retail electricity prices would always rise faster than they fall when compared to wholesale prices. This is accompanied by accusations against suppliers for not being transparent enough and “ripping off” their customers.

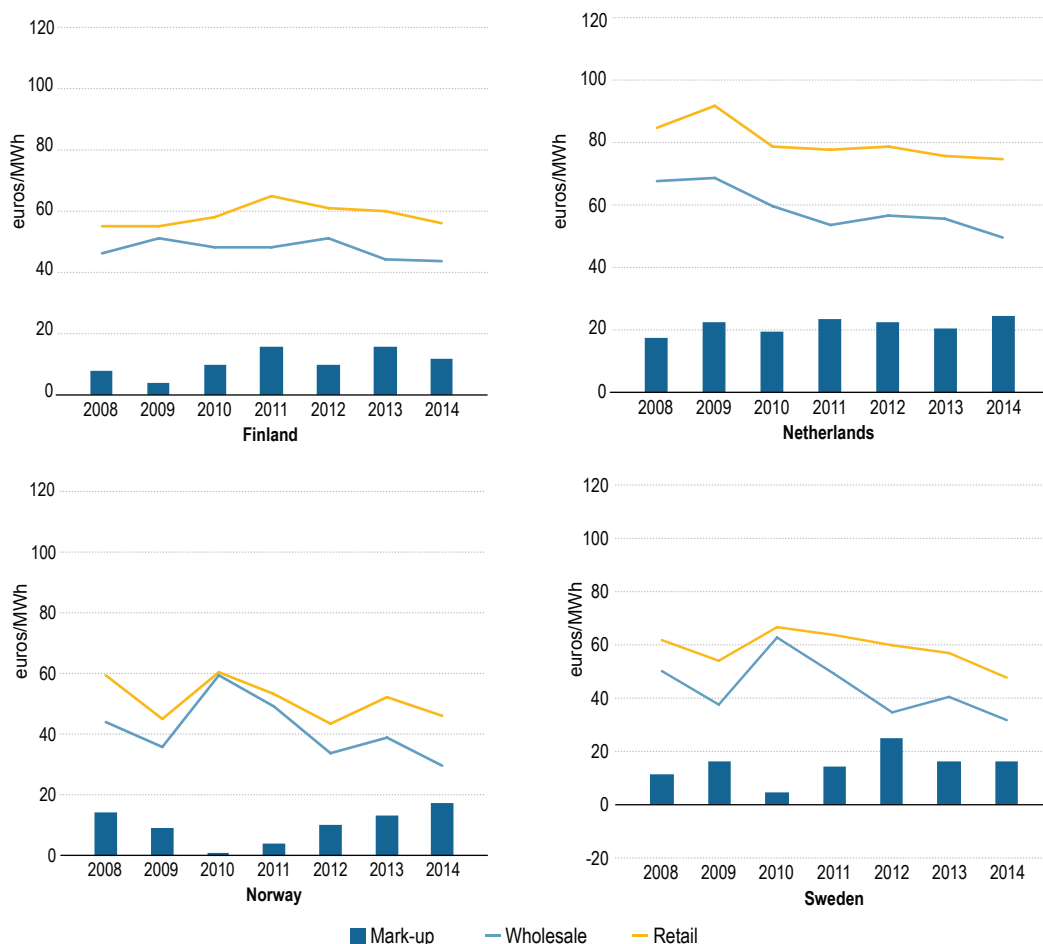


There is a distinction to be made between the total retail price and the energy component of the total retail price. The former includes all cost components, i.e. energy, network, taxes and charges. The latter only reflects the costs to source, trade, hedge and supply electricity from the wholesale market in different timeframes (forward, spot, etc.), including balancing costs, as well as supplier operating costs (e.g. marketing, customer acquisition, customer care, billing, etc.) and supplier margin.

Whilst the degree of connection between wholesale electricity prices and the energy component of retail prices differs between countries, both elements are strongly correlated in competitive EU retail markets. In addition, mark-ups are not equivalent to suppliers' profit. Suppliers must indeed cover the operating costs mentioned above.

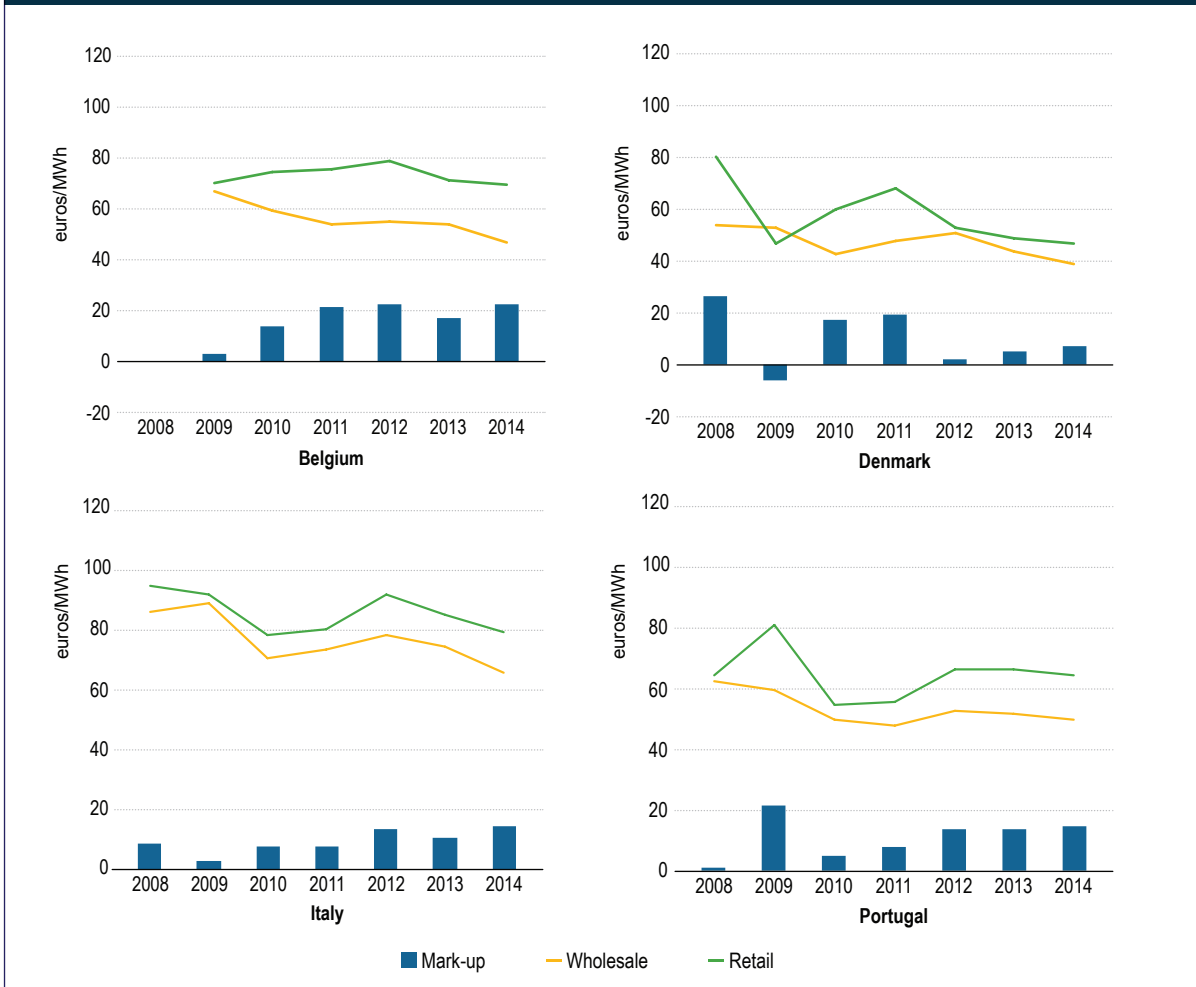


RELATIONSHIP BETWEEN THE WHOLESALE PRICE AND THE ENERGY COMPONENT OF THE RETAIL PRICE AND THE EVOLUTION OF THE MARK-UP



Source: 2015 ACER/CEER Market Monitoring Report

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Source: 2015 ACER/CEER Market Monitoring Report

“Clearly, mark-ups are not the same as profits as suppliers have to pay additional operational costs (e.g. marketing, sales, customer services, overheads etc.) in bringing a product to market.”

(2015 ACER/CEER Market Monitoring Report, p.71)

“As indicated, mark-up differences can be partially explained by differences in suppliers’ operating costs and/or expenditures incurred in acquiring and retaining consumers (i.e. mark-up is not fixed and can vary for the same supplier during campaigns and other times). These costs may be higher in countries (...) where switching rates are relatively high and where suppliers face significant competition and therefore have higher sales, marketing and customer services costs.”

(2015 ACER/CEER Market Monitoring Report, p.72)



Quote

REGULATED PRICES ARE A GOOD THING: THEY PROTECT CONSUMERS

Regulated prices are often perceived as a shield against the market. They would protect consumers from market prices, which are thought to be inevitably increasing.

Reality

Regulated end-user prices may protect consumers from increases in energy costs in the short term, but this is often at the expense of non-regulated customers (e.g. businesses), electricity companies and public finances where electricity tariff deficits are incurred. In the medium to long run, regulated prices – especially when set below market costs – are not sustainable and harm the interests of all consumers.

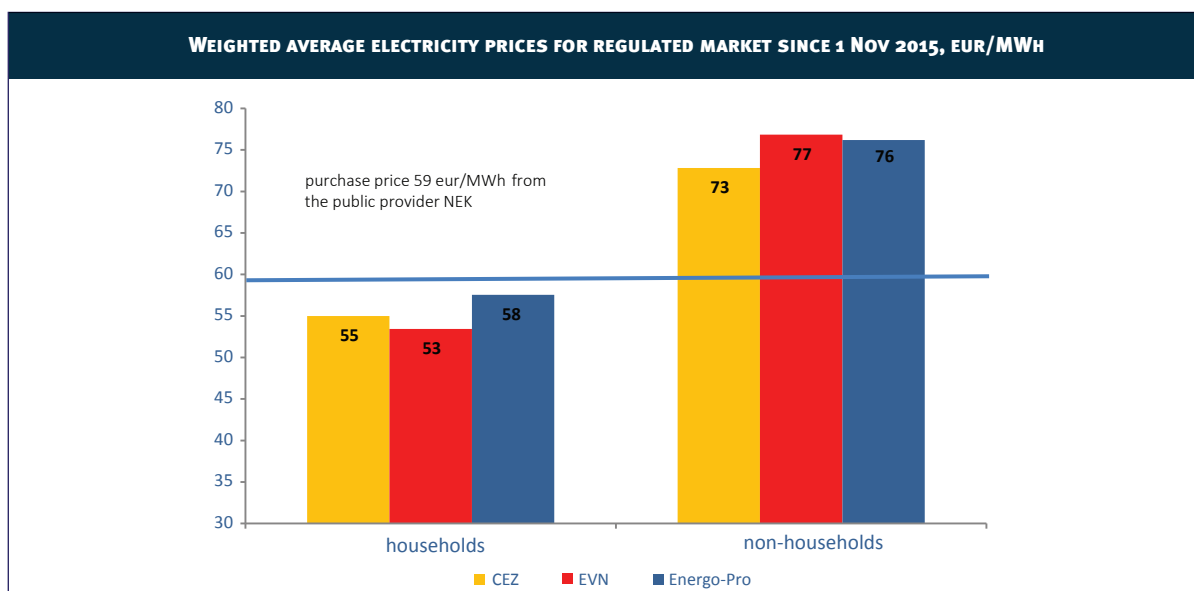
Retail price regulation is also a serious obstacle to competition among electricity supply companies. It reduces the incentive on companies to become more efficient and may stifle the development of value-added services such as dynamic pricing. In addition, regulated prices impede consumers from realising the true value of the energy they consume, therefore undermining the potential of demand response.

Sometimes, regulated prices are devised to protect the financially vulnerable. However, doing so is often counterproductive: it does not take people out of broader poverty; the pricing methodology lacks transparency; and it may increase energy costs for vulnerable and non-vulnerable consumers alike. Other more sustainable and targeted measures (e.g. via general taxation or through energy efficiency financing schemes) should therefore be explored to help Member States phase regulated prices out. In any case, according to the European Court of Justice, regulated prices can only be applied in exceptional circumstances and not as a main rule for price setting.

Finally, it is important to specify that phasing-out regulated prices does not imply the end of flat tariffs or fixed payments, which suppliers can still propose to their customers.

Evidence

In Bulgaria: capped prices for households are subsidised by non-household customers. “*The energy component for business customers is much higher and compensates the losses from the sale of energy to the households.*” (Source: Energy Management Institute, Bulgaria)

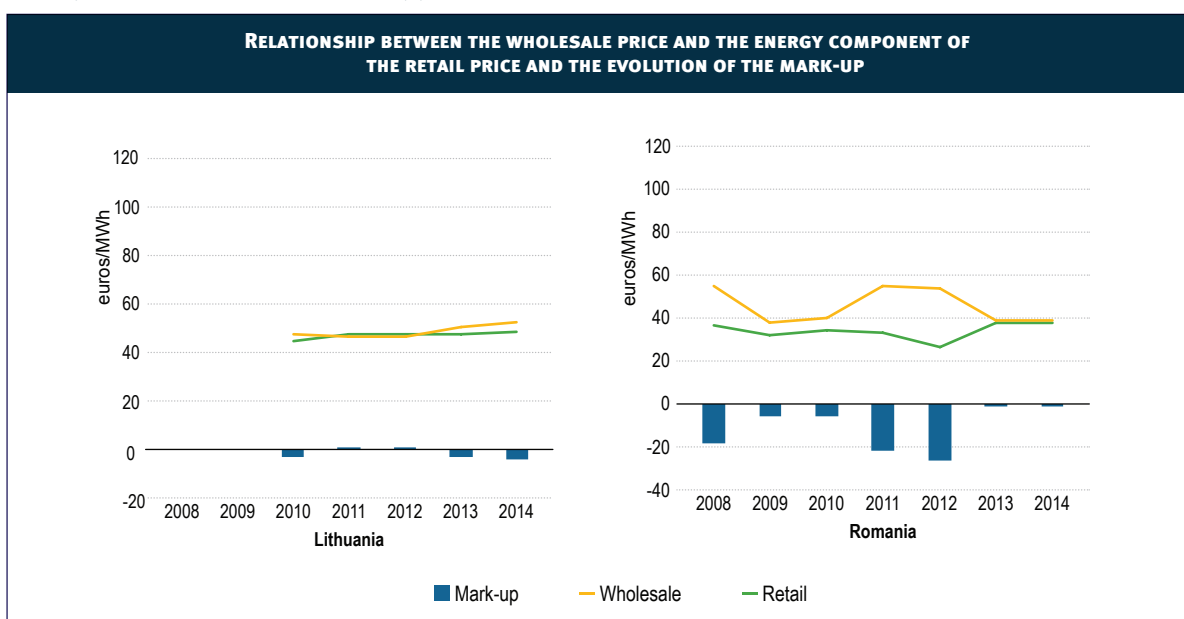


In France: prices for households are still fully regulated and since 2012 the government systematically has set retail prices to a different level than the one recommended by the national regulatory authority (NRA), leading to tariff deficits, court rulings, red tape, additional costs and consumer confusion.

	2013	2014	2015
Recommendation by NRA	↗ 11.3%	↗ 1.6%	↘ 0.9%
Decision by government	↗ 5%	↗ 2.5%	↗ 2.5%

Source: EURELECTRIC table based on figures from Commission Régulation Energie (CRE), France

Examples of countries where suppliers are not allowed to cover their costs:



Source: 2015 ACER/CEER Market Monitoring Report

“Artificially low regulated prices (even without pushing them below costs) limit market entry and innovation, prompt consumers to disengage from the switching process and consequently hinder competition in retail markets. In addition, they may increase investor uncertainty and impact the long-term security of supply. Furthermore, regulated prices (even when set above costs) can act as a pricing focal point which competing suppliers are able to cluster around and at least in markets featuring strong consumer inertia can also considerably dilute competition.”

(2015 ACER/CEER Market Monitoring Report, p.87)

“We note that a price cap may reduce the incentives that energy suppliers have to innovate, for example in terms of time-of-use tariffs, as they are unable to charge a premium for new/innovative products. Moreover, we considered that a price control could deter entry and growth by potential competitors as there would be likely to be insufficient headroom within the regulated price level to allow them to invest in advertising and other costs associated with customer acquisition.”

(UK Competition & Markets Authority, Energy market investigation, Notice of possible remedies, 2015, p.46)



Quote

ELECTRICITY GENERATION AND SUPPLY IN THE SAME HANDS CAN ONLY HARM COMPETITION

Some stakeholders express concerns about vertical integration of generation and supply in the electricity sector. They argue that suppliers which are part of a company owning generation have no incentive to offer consumers energy efficiency services or flexible products (e.g. products with hourly settlement) since they have an interest in high wholesale prices.

It is worth recalling that in most EU countries:

- The number of suppliers with no generation assets is growing
- Integrated companies with generation and supply activities are organisationally divided into two or more companies
- If a consumer interested in a specific product cannot get it from its supplier, he/she can switch to another supplier

The impact of vertical integration of generation and supply on competition was one of the issues carefully looked at by the UK Competition & Markets Authority (CMA) in its energy market investigation¹. The CMA concluded that vertical integration in the UK does not harm competition since there is no evidence that:

- Independent generators are harmed because of vertically integrated suppliers refusing to buy from them, or buying on worse terms
- Vertically integrated generators refuse to supply independent (non-vertically integrated) suppliers, or supply them on worse terms
- Vertically integrated suppliers raise barriers to entry and growth by new suppliers by preventing them to secure sufficient wholesale energy

OVERVIEW OF THE ENERGY SECTOR IN INDIVIDUAL EU MEMBER STATES

COUNTRY	NUMBER OF MAIN POWER GENERATION UTILITIES	NUMBER OF ELECTRICITY RETAILERS
Austria	4	152
Belgium	2	33
Bulgaria	5	24
Czech Republic	1	360
Croatia	2	9
Cyprus	1	1
Denmark	2	55
Estonia	1	42
Finland	4	70
France	1	183
Germany	4	>1000
Greece	1	11

Source: European Commission, Country Reports, 2014

¹ Energy market investigation, Provisional findings report, CMA, July 2015

OVERVIEW OF THE ENERGY SECTOR IN INDIVIDUAL EU MEMBER STATES

COUNTRY	NUMBER OF MAIN POWER GENERATION UTILITIES	NUMBER OF ELECTRICITY RETAILERS
Hungary	4	43
Italy	3	412
Ireland	5	6
Latvia	1	6
Lithuania	6	27
Luxembourg	2	11
Netherlands	4	35
Poland	6	82
Portugal	4	10
Romania	5	54
Slovakia	1	71
Slovenia	2	13
Spain	5	225
Sweden	3	120
UK	7	32

Source: European Commission, Country Reports, 2014

“We have considered the various means by which Vertical Integration (VI) could potentially harm competition and cause harm to consumers. (...) Our provisional view is that VI does not have a detrimental impact on competition for independent suppliers and generators.”

(UK Competition & Markets Authority, Energy market investigation, Notice of possible remedies, 2015, p.231-232)

LOW SWITCHING RATES PROVIDE PROOF THAT COMPETITION IS NOT WORKING

Switching is often considered as the key indicator of well-functioning retail markets. By exercising their right to switch, consumers place competitive pressure on suppliers to deliver best services at the best prices. Low switching rates are thus seen as a sign that consumers are not engaged and that competition does not work effectively.



Reality

While switching rates do say something about the level of competition in a market, they should not be considered as the sole indicator of market functioning. Indeed, consumers may decide not to switch for a variety of reasons, e.g. they are satisfied with the contract and quality of service provided by their current supplier; their supplier offers a variety of additional services that competitors do not offer; they perceive the potential gains as too small compared to their current contract; etc.

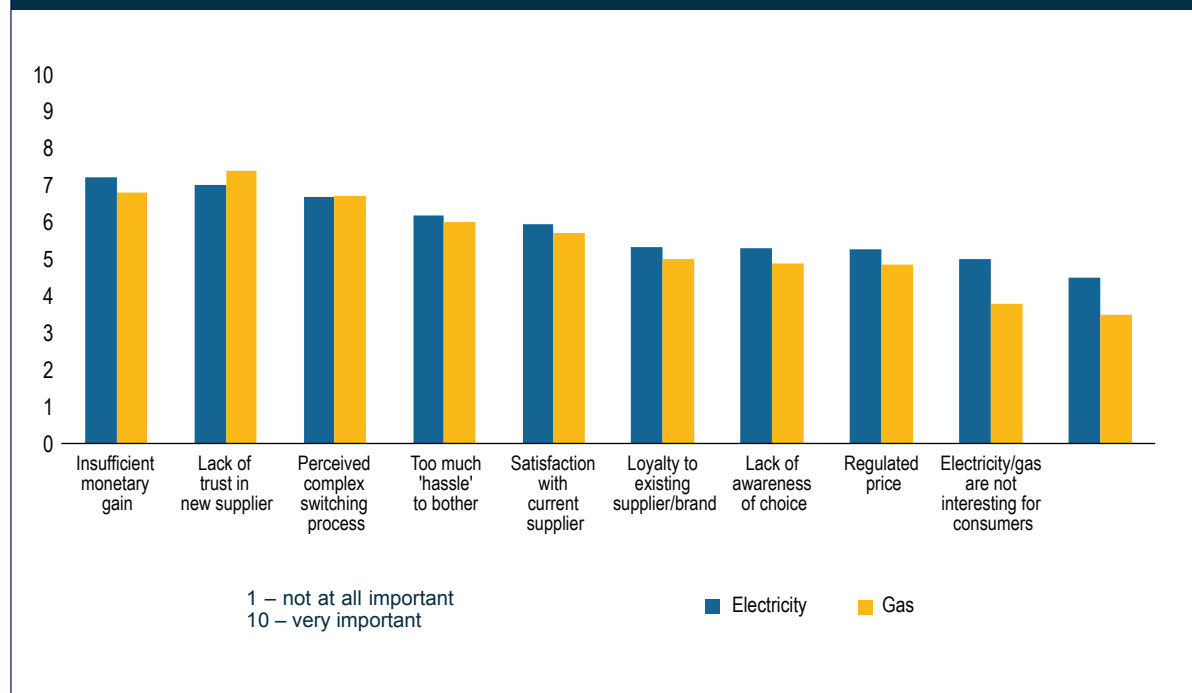
In addition, consumers sometimes switch offers or tariffs with the same supplier, which is usually not counted as switching. Switching may even go down in highly competitive markets since it might no longer offer sufficient financial benefits.

Crucially, whilst real savings are one of the key drivers for switching, it is important to remember that, on average across Europe, about two thirds of the bill are fixed and devoted to collecting taxes, policy support costs and network charges. Competition therefore occurs on a small part of the bill.



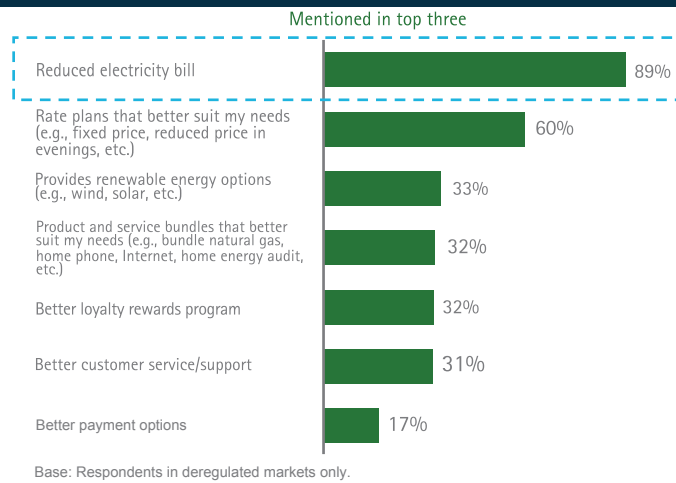
Evidence

FACTORS PREVENTING ELECTRICITY AND GAS CONSUMERS FROM SWITCHING – 2014



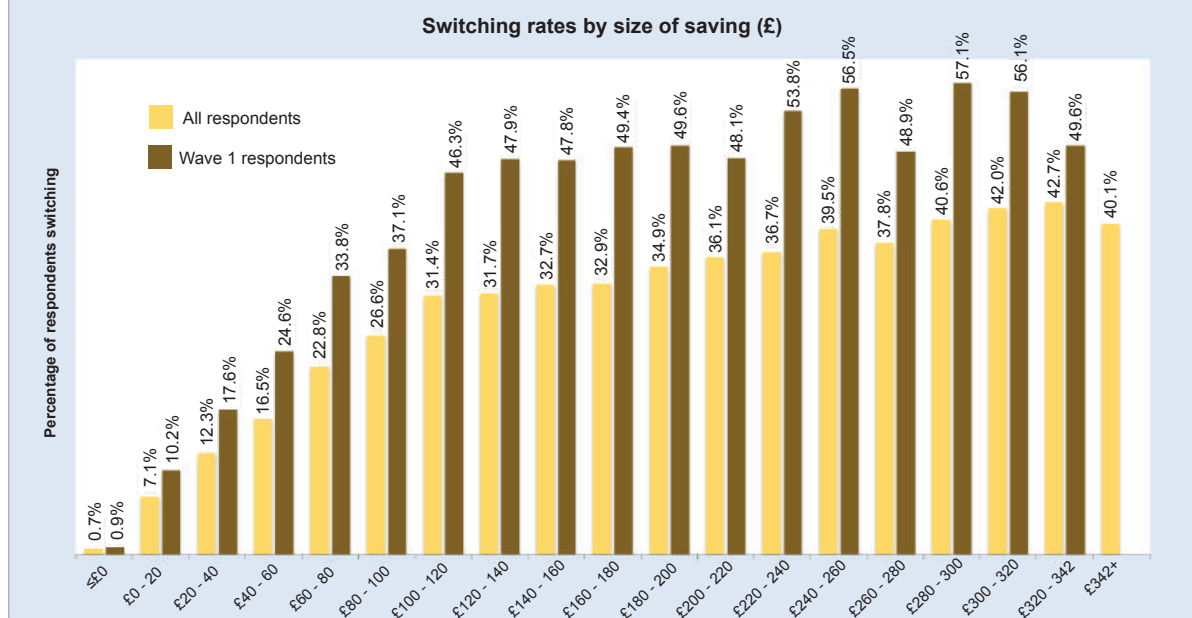
Source: 2015 ACER/CEER Market Monitoring Report

WHAT FACTORS WOULD MOTIVATE YOU TO SWITCH TO A NEW ELECTRICITY PROVIDER?



Source: Actionable Insights for the New Energy Consumer, Accenture, 2012, www.accenture.com

IN THE UK GAINS DRIVE SWITCHING, BUT MANY DON'T SWITCH DESPITE LARGE GAINS



Source: UK Center for Competition Policy

“While higher switching rates are indicative of more competitive markets, they should be considered in conjunction with other competition indicators. Switching rates are, for example, sometimes high(er) during the early stages of market opening, when consumers first exercise their choice, but may then stabilise as a market matures. On the other hand, if consumers are satisfied with their current suppliers, they may have no reason to change supplier (e.g. their current supplier delivers competitively priced products and good quality service) and, therefore, switching rates may be low even in a very competitive market.”

(2015 ACER/CEER Market Monitoring Report, p.57)

“(…) A low switching rate does not necessarily imply that consumer involvement is low. The share of consumers renegotiating contracts must also be taken into consideration, as well as the share of consumers who search for better deals, but subsequently make the informed decision not to switch. (…) Another important set of information is the number of successful renegotiations, whereby the current supplier offers competitive prices and quality services to the satisfaction of both existing and new customers.”

(CEER Paper on Well-functioning retail markets, 2015, p.24)



Quote

TOO MANY OFFERS MAKE THE MARKETPLACE UNNECESSARILY COMPLEX. ALL THAT CONSUMERS WANT IS ENERGY

Consumers are often portrayed as being a like-minded monolithic group all wanting the same product. Therefore, restricting the number of offers is seen as beneficial as it would simplify the market.



Reality

Consumers are all different: some want the simplest and cheapest products; others seek to reduce their environmental impact and be more energy efficient or generate their own renewable electricity. Some engaged consumers will want more complex tariffs, such as Time of Use.

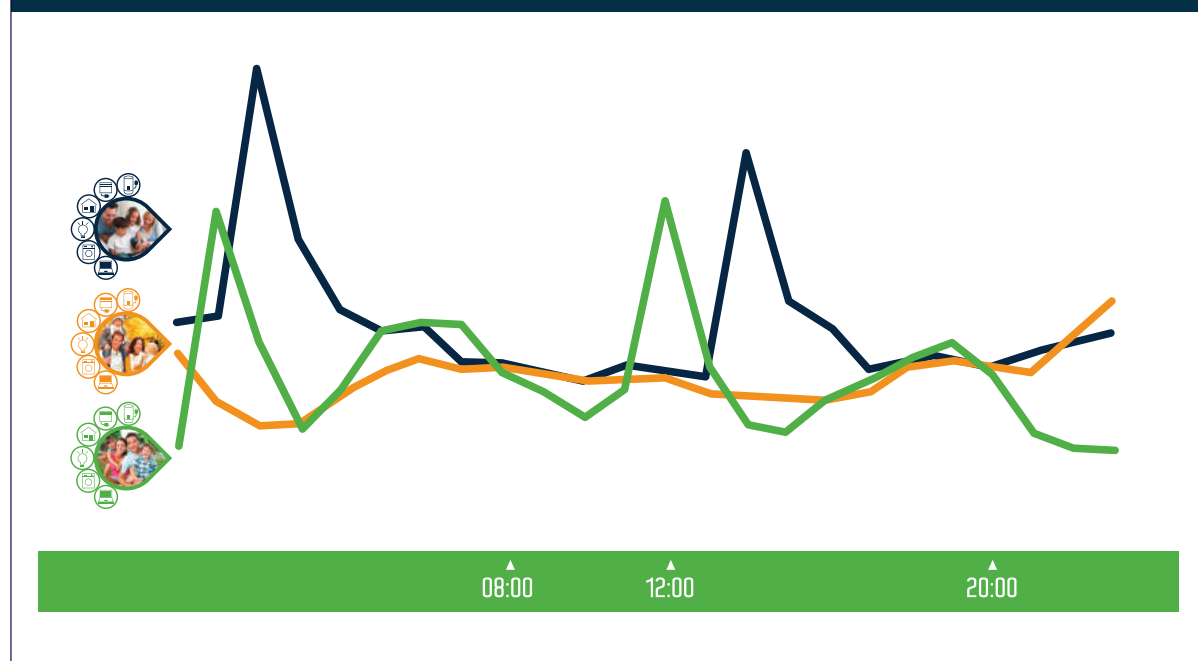
Therefore, limiting the number of offers - as experimented or considered in some countries - is not the right way forward. The behaviour of consumers - and their underlying motivations - are notoriously difficult to measure, understand and predict. Whilst it may help reassure consumers that the number of options they face is not intimidating, it may also reduce incentives for them to engage, for example by reducing differentiation between suppliers and weakening suppliers' ability to tailor products to the needs and preferences of different consumers.

There are many ways to help consumers choose the products best suited to their needs without hampering innovation, e.g. price comparison tools, personalised advice by energy suppliers or consumer associations, etc.



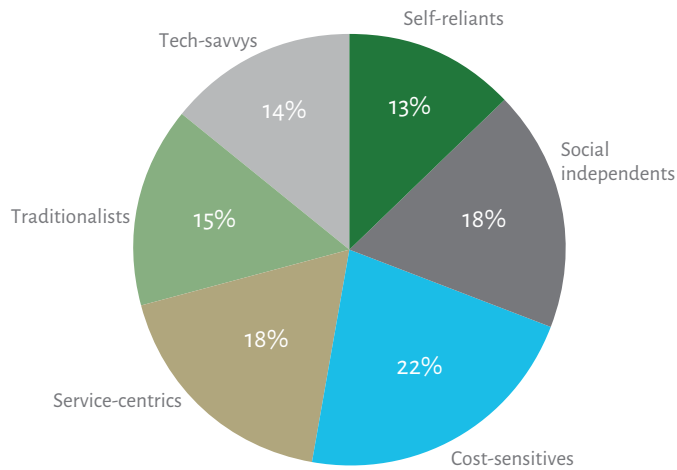
Evidence

THREE EXAMPLES OF 4-MEMBER FAMILIES WITH SIMILAR APPLIANCES, BUT DIFFERENT LIFESTYLE AND LOAD CURVES



Source: Smart Electric Lyon, EDF

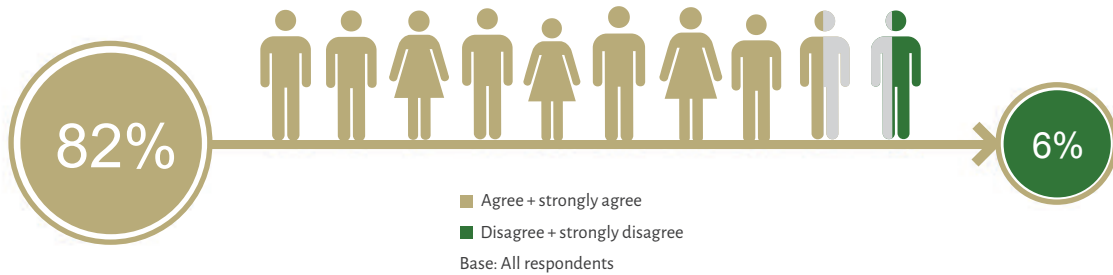
CONSUMER SEGMENTS HAVE DIFFERENT VALUES AND PREFERENCES WHEN IT COMES TO ENERGY MANAGEMENT



Base: All respondents
Methodology note: Results based on a conjoint analysis

Source: *Revealing the Values of the New Energy Consumer*, Accenture 2011, www.accenture.com

THE MAJORITY OF CONSUMERS APPRECIATE A COMPANY THAT ALLOWS TAILORING OF PRODUCTS AND SERVICES



Source: *Building a Differentiated Service Experience Strategy*, Accenture 2010, www.accenture.com



“The increasing diversity and variety of offers, including those with additional services, is a sign of more innovation in the sector. Such offers help raise consumer interest in price comparison tools and the market in general.”

(2015 ACER/CEER Market Monitoring Report, p. 50)

“We consider that the restrictions imposed by the Retail Market Review (RMR) four-tariff rule limit the ability of suppliers to innovate and provide products which may be beneficial to customers and competition. This is of particular concern over the longer term as RMR rules could potentially stifle innovation around smart meters.”

(UK Competition & Markets Authority, *Energy market investigation, Notice of possible remedies*, 2015, p 31)

ELECTRICITY COMPANIES INTENTIONALLY MAKE IT DIFFICULT FOR CONSUMERS TO COMPARE OFFERS

Suppliers are often thought to make offers overly complex so that the majority of consumers cannot understand and compare them. This would make it difficult for consumers to determine if they should switch their supplier or not

Reality

Not all consumers have the same needs and priorities with regard to energy. It is therefore crucial to ensure that they can freely choose from a range of products, services and contract types, like in any other market. They should be able to base their choice not only on price and brand, but also on features such as billing types and frequency, contract duration, terms of payment, service level, granularity of information and source of electricity.

Energy companies are working hard to facilitate comparability of offers e.g. by finding improved ways to explain tariffs. Simplifying the presentation of offers should however not lead to rules which reduce innovation and reduce consumer choice.

There are many ways to help consumers choose the products that are best suited to their needs without hampering innovation:

- Price comparison tools can help consumers understand the characteristics of energy products by displaying them in a clear manner and by using simple language
- Energy suppliers and Energy Service Companies (ESCOs) can – and already do – provide personalised advice to their customers, e.g. what is the cheapest and most appropriate tariff considering their situation and consumption profile
- Regulators, businesses and consumer associations can work together on consumer information and education to improve understanding and engagement in retail energy markets

Improved transparency in price and offers is also linked to better regulation. Policy-makers need to assess the impact of current legislative provisions regulating the presentation of prices and offers to strike a balance between simplicity and understandability.

Evidence

MANY SUPPLIERS DISPLAY THEIR OFFERS ON A LIKE FOR LIKE MANNER AS MUCH AS POSSIBLE:

The screenshot displays two side-by-side examples of electricity offer presentations. On the left, Engie/Electrabel offers three options: Direct (€121/mos), Easysy3 (€131/mos), and Activo (€138/mos). On the right, EDF energy offers four options: blue Price Promise (Fixed until Apr 17), blue Price Freeze (Fixed until Mar 18), Standard (Variable), and blue Fixed Prepay (Fixed until Feb 18). Each offer includes a 'Why this tariff?' section and a 'Payment method' section.

blue Price Promise	blue Price Freeze	Standard (Variable)	blue Fixed Prepay
Fixed price	Fixed until Apr 17	Not Fixed	Fixed until Feb 18
Why this tariff?	A unique promise - reassurance of being able to check you wouldn't be better off elsewhere	Our longest fix - no price rises guaranteed until at least 31 March 2018	Your energy prices can go up or down - with no end date you'll never have to renew your contract
Payment method	Direct Debit, Cash Cheque	Direct Debit, Cash Cheque	Direct Debit, Cash Cheque, Prepayment
Select >	Select >	Select >	Select >

Engie/Electrabel - Belgium | EDF energy - UK

In February 2016 EURELECTRIC co-signed a statement with Eurogas and the European consumer's organisation BEUC through which suppliers commit to further support the comparability of energy offers by providing 5 key elements to consumers in one place, in a short, easily understandable, prominent and accessible manner: http://www.eurelectric.org/media/263669/joint_statement_-_improved_comparability_of_energy_offers_-2016-030-0116-01-e.pdf

Price comparison websites are available in most EU countries:

AVAILABILITY OF PRICE COMPARISON WEBSITES		
Country	Electricity	Gas
AUSTRIA	http://www.e-control.at/haushalts-tarifkalkulator	http://www.e-control.at/haushalts-tarifkalkulator
BELGIUM	http://www.brusim.be/	http://www.brusim.be/
BULGARIA	Information from NRA	Information from NRA
CROATIA	https://kompare.hr/	Supplier's site: http://www.gpz-opskrba.hr/
CZECH REPUBLIC	http://kalkulator.ery.cz/ and http://www.cenyenergie.cz	http://www.cenyenergie.cz
CYPRUS	Information from NRA	n.a.
DENMARK	http://www.elpristavlen.dk/	http://gasprisguiden.dk
ESTONIA	https://minuelekter.ee/calc	Supplier's site: http://www.gaas.ee
FINLAND	http://www.sahkonhinta.fi/	http://www.gasum.fi/Yksityisille/Kodin-lammitys/hinnasto/
FRANCE	www.energie-info.fr	www.energie-info.fr
GERMANY	www.verivox.de	www.verivox.de
GREECE	NRA	http://www.aerioattikis.gr/default.aspx?pid=34&la=1&artid=135
HUNGARY	Information from NRA and other offers from 3 suppliers	http://www.vasarlocsapat.hu
IRELAND	http://www.bonkers.ie/compare-gas-electricity-prices/electricity/	http://www.bonkers.ie/compare-gas-electricity-prices/gas
ITALY	http://trovaofferte.autorita.energia.it/	http://trovaofferte.autorita.energia.it/
LATVIA	Information from NRA	Information from NRA
LITHUANIA	Information from NRA	Information from NRA
LUXEMBOURG	www.calculix.lu	http://www.ilr.public.lu/gaz/fournisseurs/
MALTA	Information from NRA	n.a.
NETHERLANDS	http://www.energieleveranciers.nl/energie-vergelijken	http://www.easyswitch.nl/energie
NORTHERN IRELAND	http://www.consumerCouncil.org.uk/energy/price-comparison/	n.a.
NORWAY	http://www.konkurransetilsynet.no/en/Electricity-prices/Check-power-prices/	n.a.
POLAND	http://ure.gov.pl/ftp/ure-kalkulator/ure/formularz_kalkulator.html.php	Information from NRA
PORTUGAL	http://www.erse.pt/Simulador-de-Preços-de-Energia-Elétrica	http://www.erse.pt/Simulador-de-Preços-de-Gas-Natural
ROMANIA	Information from NRA	Information from NRA
SLOVAKIA	http://www.urso.gov.sk:8088/CISRES/Agenda.nsf/KalkulackaElektrinaNewWeb	http://www.urso.gov.sk:8088/CISRES/Agenda.nsf/KalkulackaPlynNewWeb
SLOVENIA	http://www.agen-rs.si/primerjalnik/index.php?kalkulatorelektrika/	http://www.agen-rs.si/primerjalnik/index.php?kalkulatorplin/
SPAIN	http://comparadorofertasenergia.cnmec.es/comparador/	http://comparadorofertasenergia.cnmec.es/comparador/
SWEDEN	http://www.ei.se/elpriskollen/	http://www.energimarknadsbyran.se/Gas/Dina-avtal-och-kostnader/Gaspriskollen/

Source: ACER, November-December 2014

“The Forum welcomes the joint statement of BEUC, EURELECTRIC and EUROGAS on improved comparability of energy offers to allow consumers to make choices that best meet their needs, and encourages relevant market actors to follow these principles.”

(Conclusions from the 8th EU Citizens ‘Energy Forum, 2016)

“The increasing diversity and variety of offers, including those with additional services, is a sign of more innovation in the sector. Such offers help raise consumer interest in price comparison tools and the market in general.”

(2015 ACER/CEER Market Monitoring Report, p. 50)



Quote

CONSUMERS ACROSS EUROPE ARE NOT SATISFIED WITH ELECTRICITY COMPANIES

The European Commission's consumer scoreboard regularly pictures the energy sector as one of the worst performing for consumers at EU level.

Reality

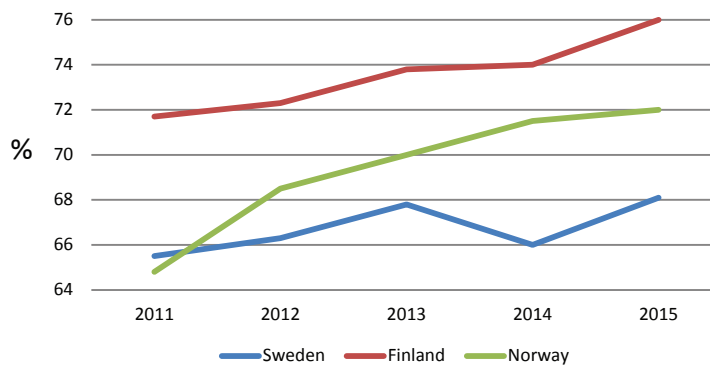
We do acknowledge that suppliers, new and old, have had a lot to learn and are still learning. Clearly, companies must further work to enhance consumers' trust – in pre-sale areas like marketing and contracting and in post-sale operations like consumer satisfaction, billing, and dispute resolution – and to design offers that respond to consumers' needs.

However, we also think it is fair to observe that:

- The level of consumer satisfaction is quite high and is improving in several countries, e.g. Belgium, Finland, France, the Netherlands, Norway, Sweden, the UK, etc.
- Many consumers' complaints are about increasing prices – something suppliers are marginally responsible for as rising prices are mainly due to government add-ons (strong rise of taxes and support costs for renewable energy, social support and energy efficiency)
- Many options which will allow suppliers to improve the consumer's experience are not yet in place, e.g. smart meters, billing on actual consumption, etc.

Evidence

CONSUMER SATISFACTION WITH ELECTRICITY SUPPLIERS IN SWEDEN, FINLAND AND NORWAY:



Source: EPSI Rating Danmark, 2015

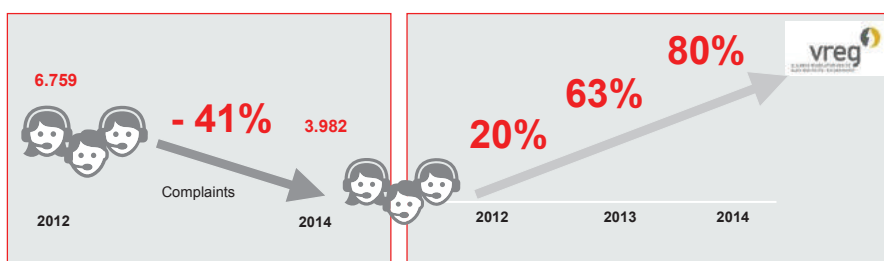
CONSUMER SATISFACTION WITH ELECTRICITY SUPPLIERS IN BELGIUM (FLANDERS):



Complaints about suppliers to Ombudsman

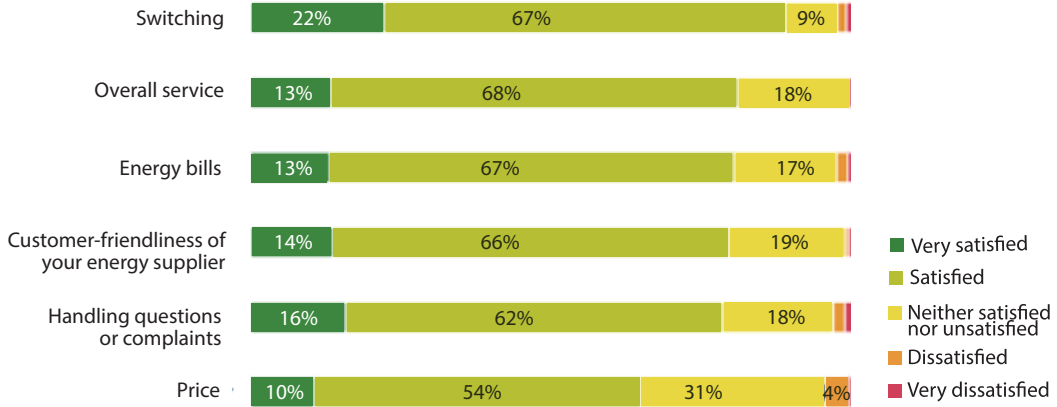


Suppliers with 5 VREG stars for quality of service



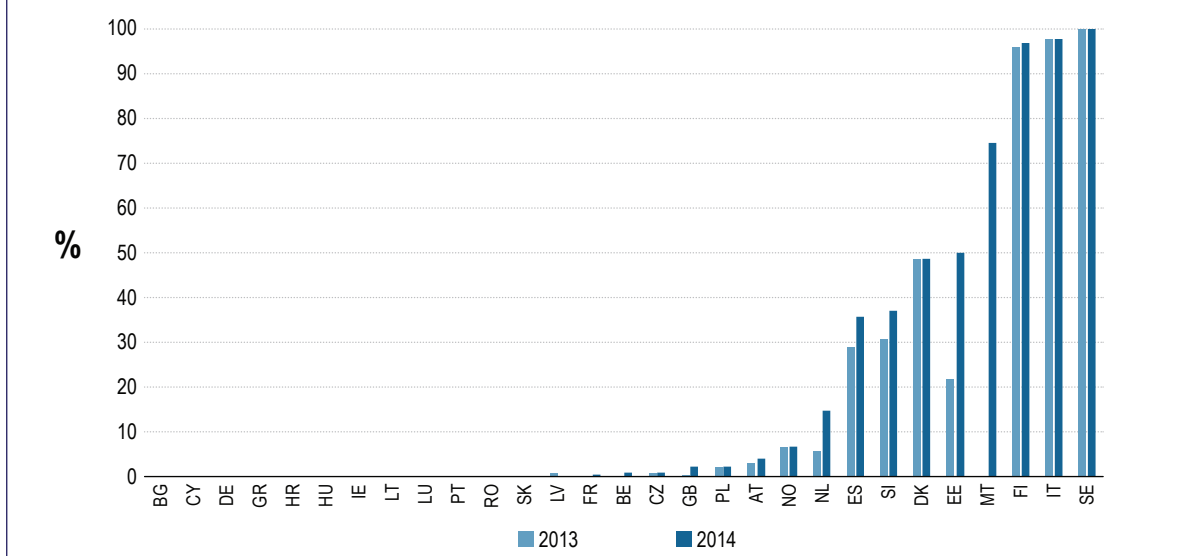
Source: Ombudsman Energie, Activiteitenverslag 2012, 2013, 2014 VREG service checks, 12 January 2015, Accenture analysis

CONSUMER SATISFACTION WITH THE SERVICES PROVIDED BY THEIR ENERGY SUPPLIER IN THE NETHERLANDS:



Source: Consumentenmarkt elektriciteit en gas eerste helft 2015 (National Regulatory Authority)

MOST HOUSEHOLD CUSTOMERS ARE NOT YET EQUIPPED WITH SMART METERS FOR ELECTRICITY – 2014 (%)



Source: CEER Database, National Indicators (2014–2015).

“The most common complaints by household customers are related to price, contract or billing issues (...). This is true for the electricity as well as for the gas retail market.”

(2015 ACER/CEER Market Monitoring Report, p. 133)



Quote

SUPPLIERS ARE AGAINST ENERGY EFFICIENCY, SELF-GENERATION AND ENERGY COOPERATIVES

Suppliers are often thought to oppose the development of energy efficiency, self-generation and energy cooperatives because it would undermine their business model.

Reality

Suppliers' traditional core business is progressively changing and their potential growth opportunity precisely lies in a number of new products and services for consumers. Suppliers increasingly offer new value packages around demand response, self-generation, battery storage, energy efficiency including building renovation, as well as quick win solutions like smart thermostats. They are at the forefront of innovation in many European markets, sometimes taking up the role of Energy Service Company (ESCO) or aggregator, sometimes partnering with them.

Suppliers also have commercial incentives to develop energy efficiency services (e.g. interactive tools to help consumers regulate their consumption) which are a means to reduce peak load curves and to make room for new demands for electricity such as electric vehicles.

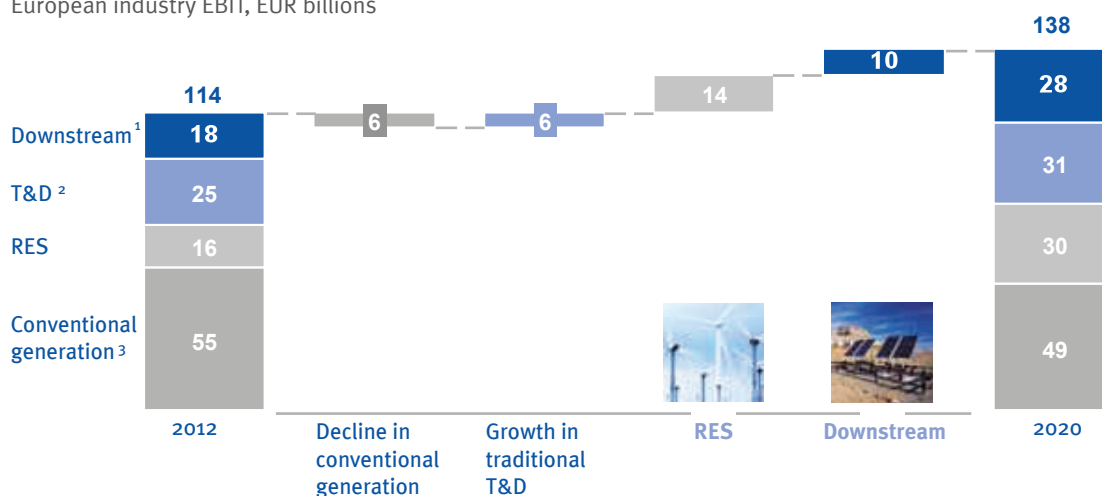
Many suppliers support their customers who want to invest in jointly-owned photovoltaic schemes or wind farms. They can take on the construction and operating risks connected to the production of electricity, while allowing people to buy stakes in the projects, incidentally increasing the acceptance of these technologies.

Finally, some suppliers support consumers who want to set up an energy cooperative, by e.g. managing all administrative processes and financial flows, helping them build their own green energy supply step by step, and backing them up with 100% renewable electricity as long as needed.

Evidence

UTILITIES' TRADITIONAL CORE BUSINESS IS SHRINKING, BUT NEW GROWTH AREAS CAN OFFSET THE DECLINE

European industry EBIT, EUR billions



¹ Includes power sales and new downstream (distributed generation and storage, electric vehicle infrastructure, new downstream products and services, power flow optimization)

² Includes smart grids

³ Assuming no change in commodity prices vs. today



Innovation

read more...

Source: EURELECTRIC - <http://www.eurelectric.org/innovation/>



Quote

“Over the last few years, retail energy markets have witnessed increased evidence of product innovation offered by both well-established suppliers and by smaller niche players. (...) The innovation in retail products may include characteristics such as contract duration, price preservation periods, dual-fuel offers, additional service provision or renewable/green features. These innovative products offer more choice to consumers in an industry that was once considered to be completely homogeneous.”

(ACER/CEER 2014 Market Monitoring Report, p. 66)

“In some countries (e.g. Great Britain and Ireland), electricity and gas suppliers are also expanding their business areas and moving towards becoming ‘energy service providers’. Most suppliers offer home insulation, boiler insurance and smart metering products and services. Another emerging market is that of micro-generation. Most suppliers offer products and services in this area, including installations of technologies such as Photovoltaics (PV), wind, solar thermal, biomass and heat pumps. Boiler installation and other types of home improvement, such as insulation and boiler maintenance, are also offered by many suppliers. Some suppliers also offer plumbing, drainage and electrical insurance (...). A limited number of suppliers also offer phone and/or broadband services.”

(2014 ACER/CEER Market Monitoring Report, p. 67)

SUPPLIERS INTENTIONALLY MAKE BILLS COMPLEX TO CONFUSE CONSUMERS

Energy bills are often reported to be too complex. Many consumers – and consumer associations – think their suppliers are responsible for that. As the situation does not seem to improve, some suggest standardising the bill's format.

Suppliers are in constant dialogue with their customers (e.g. consumer panels) and they are taking steps to make energy bills clearer¹.

However, in most EU Member States, bills are heavily regulated. While many consumers indeed complain that there is too much information on their bills, making them difficult to read, suppliers are often not allowed to simplify or improve them.

Before coming up with more regulation, policy-makers should assess the impact of current European and national legislative provisions regulating the presentation of bills. There would be merit in encouraging more evidence and principle-based regulation rather than dictating the format and content of bills.

FEATURES OF ELECTRICITY BILL MANDATED BY REGULATION IN FRANCE (IN YELLOW)

The image displays four screenshots of an EDF electricity bill in France, with yellow highlights indicating features mandated by regulation. The screenshots are:

- Top Left:** 'NOUS CONTACTER' section, highlighting contact information and the 'Facture' (bill) section.
- Top Right:** 'Detail de la facture du 14/01/2016' section, highlighting the 'Votre contrat Electricite' and 'Horaires heures creuses'.
- Bottom Left:** 'Evolution de votre consommation facturée en kWh' section, highlighting a bar chart showing consumption trends.
- Bottom Right:** 'Consommation' section, highlighting the 'Regulation tarifaire' and 'Montant total'.

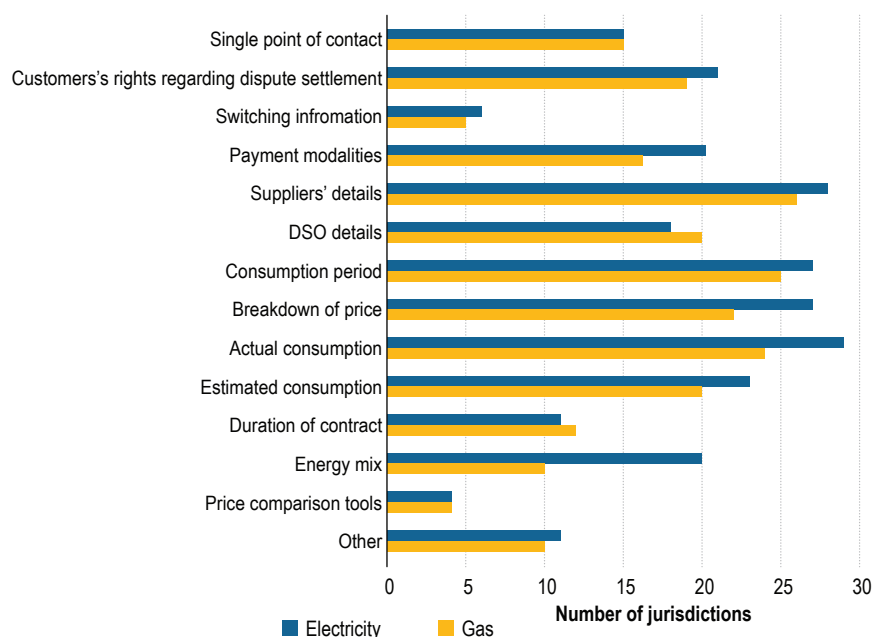
The highlighted features include:

- Contact information (EDF logo, phone number).
- Bill details (Facture du 14/01/2016, N° 35 005 873 345, Montant total TTC 2 015,02 €).
- Contract details (Votre contrat Electricite, Tarif Bleu, 12 kVA, Option Heures Pleines/Heures Creuses).
- Consumption details (Regulation tarifaire, Heures Pleines/Heures Creuses, Total Consommation 1 920,90 kWh).
- Consumption evolution (Evolution de votre consommation facturée en kWh, bar chart).
- Regulation details (Regulation tarifaire, Montant TTC 2 015,02 €).

Source: EDF

¹ See for instance: <http://sse.com/newsandviews/allarticles/2016/02/new-sse-bill-design-aims-to-end-energy-bill-confusion/>

INFORMATION SUPPLIERS MUST PROVIDE ON HOUSEHOLD CUSTOMER BILLS IN MEMBER STATES (MSs) – 2014 (NUMBER OF COUNTRIES)



Source: CEER Database, National Indicators (2014–2015), figure 55



Quote

“Member States have put in place regulations on the distribution of information to consumers on energy related topics, such as (...) information provided on bills and billing information based on actual consumption.”

(2015 ACER/CEER Market Monitoring Report, p. 128)

“In most MSs, many of the information elements listed in figure 55 are included on the bill. Giving information to consumers in an easy and understandable way is important. Yet, the danger persists that presenting too many different pieces of information on the bill might make it less accessible to the consumer, because of the plethora of details which are all presented at once at long intervals. When communicating with consumers, other communication channels may be at least as efficient as the bill, such as regular email or the consumer’s ‘my page’ on the supplier and/or DSO website.”

(2015 ACER/CEER Market Monitoring Report, p. 125)

“We would urge (the Commission) to consider carefully the level of prescription in relation to the content or format of bills and other customer communications. Anecdotal evidence suggests that consumers already receive a lot of information and that this can lead to less rather than more engagement in certain circumstances. Detailed requirements can also reduce the scope for innovation among suppliers and could become outdated quickly (e.g. as more people opting for electronic billing).”

(CEER Response to European Commission Public Consultation on the Review of Directive 2012/27/EU on Energy Efficiency, 2016, p. 2)



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