

ENERGY SERVICES FOR CONSUMERS IN THE CHANGING MARKET

**Intervention of Levi Nietvelt
at the CEDEC Congress
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20/20/20 objectives: Need for investments in infrastructure and services

1. Intro

Levi Nietvelt, Economic Officer and head of the sustainability and energy team, I worked on the 3rd energy package and represented BEUC in various working groups at EU level.

2. Policy context

BEUC: Founded 1962, grew as EU grew to 42 members in more than 30 countries. We work in 8 different teams: Digital issues, Food, Health, Safety, Collective redress, Consumer rights, Financial service and Sustainability and Energy. Our goal is to represent the interest of our members but also to inform them on policy initiatives and other organisations¹.

I have called the title of my speech today: "Energy service for consumers in a changing environment. We have in the first place the ongoing liberalization of the energy market, but also the 20/20/20 objectives, which mean increasing costs of energy for consumers, objectives to save energy, to produce locally and distributed and to change supplier. Energy at the same time, remains a vital good, which is reflected in the public service obligations in the EU and national law. Change is furthermore driven by technology.

Nevertheless, the main consumer complaints have not yet changed and are still about liberalization. BEUC has done a survey in 2008, which is available on our website: www.beuc.eu². The main problems highlighted by our members:

- **Lack of choice:** Choice between competing suppliers is still limited; not all markets have been opened to competition.
- **Difficulties to switch:** While technically switching has become easier, the relevant information enabling consumers to choose between competing suppliers is not easily available.
- **Complicated and unclear bills:** in almost all countries surveyed, our members report complicated and non transparent bills, poor billing procedures or lack of pricing transparency.
- **Different prices for different payment methods:** it is not easy for consumers to choose their payment method without having to pay an extra fee. Often this fee does not reflect the real costs of the payment method. Furthermore, some tariffs are linked to certain payment methods.

¹ For more information see our public document: X/041/2009

² "Energy markets in Europe from dark to light...from cold to heat" (X/060/2008) and "The EU energy markets after the liberalisation: Consumers still waiting to reap the full benefits" (X/061/2008)

- **Difficulties to claim consumer rights:** When disputes between consumers and suppliers cannot be solved satisfactorily consumers experience difficulties in claiming their rights.

3. Service from local energy companies

Within this context of change and at the same time stability in terms of consumer detriment, what services could local energy providers offer?

The first service to consumers is around “renewable energy”, many times marketed as “green” energy. While consumers in many cases think that through their choice, they increase the production of energy from renewable sources, in practice, it means transferring certificates from the hydro power plants and subsidized wind-farms or other power plants to conventional “grey” electricity. BEUC has worked on the Renewable energy directive, supporting attempts to make the notion of additionality binding. The label “green” would be reserved for energy offerings which are additional to hydro or subsidized sources. At the end of the process, it is left to member states whether or not they want to inform consumers better.

For your information, it can be found back in Art 15 of the renewable energy directive of 2009³ :

ART 15: Guarantees of origin of electricity, heating and cooling produced from renewable energy sources

Paragraph: 12.

Where energy suppliers market energy from renewable sources to consumers with a reference to environmental or other benefits of energy from renewable sources, Member States may require those energy suppliers to make available, in summary form, information on the amount or share of energy from renewable sources that comes from installations or increased capacity that became operational after 25 June 2009.

BEUC will continue working on this issue, having as a best practice the NO case where the term “green” is seen as too generic and forbidden. We will highlight this when the Unfair Commercial Practices Directive⁴ is reviewed.

Conclusion: Local energy companies could play a leading roll by providing clear information and marketing their green power with stricter criteria.

The second type of services is around the “classical” consumer problems and the opportunities smart metering offers. More detail is in our position paper on the subject⁵.

³ Directive 2009/28/EC of the European Parliament and of the Council of 23 April 2009 on the promotion of the use of energy from renewable sources and amending and subsequently repealing Directives 2001/77/EC and 2003/30/EC

⁴ Directive 2005/29/EC of the European Parliament and of the Council of 11 May 2005 concerning unfair business-to-consumer commercial practices in the internal market and amending Council Directive 84/450/EEC, Directives 97/7/EC, 98/27/EC and 2002/65/EC of the European Parliament and of the Council and Regulation (EC) No 2006/2004 of the European Parliament and of the Council (‘Unfair Commercial Practices Directive’)

⁵ For more information see our public document : X/064/2009

I will be short on it as this has been debated many times:

1. Billing can be made clearer and estimated billing can become a thing from the past. BEUC, together with CEDEC has worked last year on establishing best practices in billing, including a template. I would be very interested in discussing today to what extent these best practices are followed by CEDEC members. These best practices and BEUC's contribution are online (http://ec.europa.eu/energy/gas_electricity/forum_citizen_energy_en.htm)
2. Bring pre-paid tariffs closer to costs. The energy directives allow companies to charge more for more costly payment methods. Installing pre-paid meters involves a cost and therefore the tariffs could be higher. Nevertheless, ERGEG found that the extra cost charged is not based on the extra costs incurred. With a consumer-focused roll-out of smart meters, there will be no need anymore for replacing the meter and could lower costs.
3. Switching is another example where CEDEC members could be at the forefront. Again, it is one of the classical consumer problems. While CEDEC is not alone in this matter, it can play the first violin in the orchestra.

Against these benefits and new services stand of course many uncertainties. The most important is the cost issue. The second is extra protection towards disconnection as it can be done remotely.

As BEUC wrote in its position paper⁶:

"The rules on disconnection should therefore be adapted and made robust to ensure maximum protection to consumers. It is crucial that energy supply companies visit consumers before disconnecting them to take into account the specific circumstances: People might not have understood the warning; the address might have been wrong, etc."

More complex are the changes towards different tariff schemes –tariff innovation might further increase the complexity of the different tariffs-, offering new service related to smart metering, but asking for longer contracts to ensure risks for companies are reduced, which further reduces the possibility for switching and competition. I will not address these issues specifically, but because of the uncertainties and the needed flexibility, a mandatory roll-out should not take place.

In the 3rd energy package, issues like faster switching, billing information or consumer protection were addressed and the Commission has provided guidance⁷. BEUC follows the implementation of the directives. Local energy companies could improve their billing information, be clear on protection and communicating well about the implementation of smart metering.

The 3rd category of services is the new one, related to smart meters and smart grids. BEUC is in the process of writing an official position so many of the things will be on paper before the summer.

⁶ For more information see our public document: X/064/2009

⁷ Commission staff working paper Interpretative note on directive 2009/72/EC concerning common rules for the internal market in electricity and directive 2009/73/EC concerning common rules for the internal market in natural gas Retail markets 22 January 2010

Given the novelty of these services, it is more important to address the challenges before any new service can be offered:

1. Privacy and security. In the Netherlands, the roll-out was partially delayed because of privacy concerns. From that experience, it seems that privacy should be implemented from the start. One of the implications is that the amount of data which a company can dispose of relates to the service a consumer asks. If a consumer does not want to be involved in load shifting through time-of-use tariffs, a monthly or even two-monthly aggregated meter reading suffices. Another implication is that data are safely destroyed once they are not needed anymore.
2. The other issue relates again to costs. The change will only work if consumers see the cost increase as necessary for rendering a better service or ensuring environmental benefits.

Once these preconditions are fulfilled, local energy companies could provide a variety of services. The most important will be to help consumers save energy and to help them participate in load shifting. Other services are related to using the smart meter to its full communication potential by adding monitoring services. Yet other services relate to helping consumers with small scale distributed generation or allowing them to have voltage measurement in their house. Of course, we need to address operability, standards, financing. But again, local energy companies could play a leading role.

4. Conclusion

And this, ladies and gentlemen, brings me to the end of my talk. If I have started with saying that the aim was to give you a view of what BEUC thinks local energy companies could provide as services to their clients in a changing environment.

In my view, there are three groups of services:

1. Related to renewable energy where local energy companies could avoid the term "green" in their marketing.
2. Related to old consumer problem where smart meters could make it easier for companies to optimize their services. The most important related to clearer billing based on the work of the billing group at EU level.
3. Related to new services which are enabled by smart meters and smart grids. First, the challenges related to data protection and cost issues should be considered. Once this is done, local energy companies could offer several innovative services.

Thank you for your attention.

Levi Nietvelt
Team leader SustainEnergy team