

The Consumer Voice in Europe

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RE: Invest in consumer trust to build future-proof electricity markets

Dear Energy Attaché,

I write on behalf of BEUC, The European Consumer Organisation, in view of the discussions on proposals to revise the Electricity Directive and the Electricity Regulation in the Council's Energy Working Party.

Electricity services score very poorly in terms of trust, comparability and sometimes even choice compared to other key goods and services.¹ The 'Clean Energy for All Europeans' package is hence a once-in-a-decade opportunity to restore consumer trust in energy markets and deliver tangible changes to benefit consumers. We believe that, to make electricity markets work better for consumers, governments should:

- **Ensure electricity service is affordable to all**

Weak retail market competition is still a reality in several countries. Even though competition in electricity markets has increased, markets which look competitive may not necessarily deliver the benefits that competition should deliver. This leaves consumers who are in vulnerable situations behind.

We call on you to retain targeted interventions, including price setting. These allow the protection of the energy poor or vulnerable consumers as a policy tool, when markets are not delivering competitive prices and other measures are not sufficiently protecting those consumers. Policies to support more efficient houses and self-consumption of renewable energy should prioritise the energy poor. We also encourage you to carefully assess the impact of dynamic electricity price contracts on different consumer groups, especially on those in vulnerable situations.

- **Get the basics right: accurate bills, trustworthy comparison tools, smooth switching**

Way to improve consumer trust in the market is to make sure consumers can easily navigate the market and exercise their rights. The energy bill is the main communication tool between an energy supplier and a consumer. However, unclear bills continue to be the main cause of consumer complaints.

¹ Consumer Markets Scoreboard, 2016 edition, p. 19

Although bills are often packed with a lot of information or technical terms, consumers are often unable to find the necessary information to understand what they are paying for or to help them switch to another supplier.

For instance, the European Commission's study shows that duration of the contract is missing in 78% of cases, while one in five doesn't contain a detailed breakdown of the price.² Moreover, comparison tools must be transparent about which business model they follow and accreditation schemes must be in place to ensure comparison tools fulfil necessary conditions. To make these tools fit for the coming decade or two, they should allow comparisons of bundled services and display offers by new market players, such as aggregators.

The switching period should be faster and simpler for consumers. The switching period should be reduced to 24 hours by 2022 and the process should not be hindered by unjustified fees. Currently around 20% of EU electricity consumers face a fee of between €5 and €90 for switching suppliers.³ This eats into what is perceived by consumers to be a small saving anyway, even though real savings are often far higher.

- **Open the market to new technologies and products while protecting the interests of consumers**

Smart meters are being rolled out across Europe and consumers should be able to understand and access the benefits of this new technology, not only pay the bill.

To guarantee that the roll-out is cost efficient and that costs and benefits are fairly shared among those who benefit, a solid legal framework and monitoring of the impact of the smart meter roll-out on consumers are necessary. Member States and National Regulatory Authorities should also provide guidelines about how consumers should receive information and advice about smart meters.

Consumers need to receive instantaneous direct feedback in combination with frequent and accurate billing and billing information in order to benefit from smart meters and save on their energy bills. Therefore, we call on you to ensure that consumers have easy and timely access to the information on their consumption i.e. near real time data, so they can use this information and make informed decisions. But new technologies like smart meters are just the beginning of the digitalisation of the energy sector.

As new market players and new services appear, consumer protections need to be modernised and enlarged to new intermediaries. Although very few household consumers have aggregation contracts today, these services will grow if products like batteries, electric vehicles and smart appliances become more affordable. Aggregators should operate in a dynamic market to benefit household consumers, not add more complexity to the market. Hence, clear rules for termination fees and fast reliable switching, which are aligned with supply rules, are necessary, ideally with a maximum of 24hours for the switching time.

To make well informed decisions, consumers need not only clear bills from their suppliers but also regular information from their aggregator that is clear and simple. This will also avoid distortions from information asymmetry. It is unacceptable, for example, that in some countries consumers with solar panels do not get information on the payments they should receive for the electricity fed into the grid.

² Second consumer market study on the functioning of the retail electricity markets for consumers in the EU, 2017, p. 148

³ European Commission, Impact assessment, Proposal for a Directive of the European Parliament and of the Council on common rules for the internal market in electricity (recast) 2016.

- **Ensure household consumers are at the heart of the energy transition**

To achieve the double objective of putting the consumer at the centre of the energy market and to be the world leaders in renewable generation, the EU framework needs to make it easy for household consumers to install renewable systems. All the elements of the framework need to be explicitly adapted to households, who do not have the levels of sophistication and resources of industrial customers and of commercial generation.

Consumers need support schemes that are simple to assess and access. Consumers should be remunerated for the service they provide, which reflect the benefits to the environment. Complex processes such as auctions or competitive allocations should be avoided. A one-stop shop should adapt information and permit processes. Household consumers require exemptions for complicated obligations, such as balancing responsibilities and dispatching.

People in multi-story buildings, tenants, and those facing fuel poverty find it more difficult to produce their own electricity. To facilitate their participation, exemptions and simple notifications should apply to groups of households. We encourage you to facilitate innovative support schemes, business models and ownership structures.

- **Design fair grid costs fit for a modern electricity system**

Network and system costs are a high proportion of the electricity bill and the overall household income. In some countries this represents up to 39% of the annual bill, or up to €250 a year. Network tariff structures and allowed revenue for network operators were designed at a time with no consumer flexibility, no decentralised generation, and less developed smart technology. They need to be adapted to the grid of the future, reflecting the costs and the benefits that each consumer brings.

A long overdue upgrade should avoid cross-subsidies and avoid distortive cost recovery means, for instance through renewable self-consumption taxes. We call on you to use other tools than network exemptions and subsidies to support energy intensive industries. These are distortive and especially disadvantage households with lower income. Benefits that consumers bring to the grid need to be passed through to incentivise investment in flexibility. Finally, we need more transparency in the decision-making process that affects the final consumers, for instance when setting network codes, tariff structures, revenue allowances, investment plans, or the new EU DSO entity. These decisions require active participation of key stakeholders, including consumer organisations.

We hope you will be able to take our views into consideration. We remain at your disposal should you have any questions.

Yours sincerely,

Monique Goyens