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The European Consumer Organisation  
Bureau Européen des Unions de Consommateurs  
Europäischer Verbraucherverband

Rue d'Arlon, 80 Bte 1, B - 1040 Bruxelles

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The Consumer Voice in Europe

# Stalling the switch

## 5 barriers when consumers change energy suppliers



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## Introduction

The ability to switch energy suppliers is a basic need for consumers in a functioning energy market. The more consumers switch, the more suppliers will try to lower their prices, in turn leading to greater savings potential for consumers and increasing competition.

Across Europe, consumers can on average save between €29 and €389 per year if they look for a better deal elsewhere<sup>1</sup>, which is the equivalent of somewhere between a restaurant dinner and a flashy new laptop. In most EU countries, the potential saving on average is around €100 per year.<sup>2</sup>

Yet despite all these advantages, switching rates in the energy market are generally low. Only seven EU countries have a switching rate above 10%. For example, Germans on average could save up to €389 per year, but less than 9% of people switch.<sup>3</sup>

## So why is there so little switching?

There are a number of hurdles that generally make the switching process for consumers more complex and frustrating than it should be. As a result, switching energy suppliers can become a bit of a field race.

This brochure describes 5 of these barriers and provides recommendations to EU policy-makers as to how these barriers should disappear. The EU could make switching easier for consumers by setting clear rules under the 'Clean Energy for All Europeans' proposals, particularly when revising the Electricity Directive.<sup>4</sup>

<sup>1</sup> ACER monitoring report 2015, '[Electricity and gas retail markets](#)', 2016, p22.

<sup>2</sup> European Commission, 'Summary findings of second market study': [http://ec.europa.eu/consumers/consumer\\_evidence/market\\_studies/retail\\_energy/index\\_en.htm](http://ec.europa.eu/consumers/consumer_evidence/market_studies/retail_energy/index_en.htm).

<sup>3</sup> ACER monitoring report 2015, '[Electricity and gas retail markets](#)', 2016, p22.

<sup>4</sup> See BEUC position paper for concrete recommendations, '[Energy markets of the future](#)', 2017.

## BARRIER #1

# Consumers lack vital information



Consumers often don't have the vital information they need to decide where the best deal lies. It is too common that they are unaware of what energy tariff they are on, the fees and time it will take to switch, how much they consume or the key terms and conditions of their current contract. Finally, consumers find it difficult to find the right, trustworthy tools to be able to compare energy offers.

**CZ** In the Czech Republic consumer organisation dTest found consumers often had difficulties in getting information like when the current contract would end and how much it would cost if they switched suppliers. In some cases, the supplier refused to release this information citing the importance of the business' privacy and the possibility that this information could be abused. **X**

The European Commission's evaluation of energy bills showed that information about the notice period could not be found in bills in Italy, Poland, Slovenia and Spain, while in Germany and France only around 50% of shoppers found such information.<sup>5</sup> Only 7% of consumers on average are told they might incur a charge for switching energy suppliers.<sup>6</sup>

In Lithuania, Spain and Sweden, around two-thirds of respondents in a mystery shopping exercise were unable to find any information about what happens when a consumer wants to switch to another supplier.<sup>7</sup> Most consumers are in the dark about how long the switch from one supplier to another will take. For example, on average only 10% of consumers are aware that by law the switch must take place within three weeks.<sup>8</sup>

**UK** In the UK, despite good awareness about the ability to switch, most consumers have little understanding about the amount they might be able to save. Research from Which? in 2016 found that the average amount customers of the six largest energy companies in the UK could save was £329 a year, almost three times more than what consumers thought they could save!<sup>9</sup> **X**

## BEUC policy recommendations

- Make energy bills clear, concise, user-friendly and include all key information (such as price to pay, final price per kWh, the duration of the contract and the switching code) so that consumers can easily exercise their right to switch.
- Require the supplier to inform the consumer about the upcoming end of the contract. Consumers should also be informed about the most suitable offer for them before they sign up and, thereafter, at least once per year.
- Give consumers access to independent, accredited comparison tools with up-to-date & accurate information in a user-friendly format and free of charge. Service providers should be obliged to provide the information necessary for these tools to run.
- Make sure consumers receive the key contractual conditions (main features of the service, detailed information on prices, conditions for switching or price increase) on the first page of the contract or along with the contract.
- Set rules on the renewal of contracts so that if a contract is extended without informing consumers, they should be allowed to terminate it later on without cost.

<sup>5</sup> European Commission, 'Evaluation of the EU framework for metering and billing of energy consumption,' 2016, p. 17.

<sup>6</sup> Ibid.

<sup>7</sup> European Commission, 'Second consumer market study on the functioning of the retail electricity markets for consumers in the EU,' 2017, p. 107.

<sup>8</sup> Ibid.

<sup>9</sup> Which?, 'Research and energy switching behaviour & attitudes survey,' 2016.

## BARRIER #2

# Aggressive selling practices



Misleading and unfair marketing practices are frequent in the energy sector. Salespeople involved in doorstep selling and cold calling are usually pushy and provide incomplete information, leading consumers to make poor and more expensive choices.

A third of Europeans have at some point felt under pressure to sign a contract with an electricity company, and more than three quarters believe that electricity companies make their tariffs appear more attractive than they really are to encourage customers to switch. Misleading information and aggressive practices make consumers more likely to switch to a worse deal or mistrust the information they have to compare tariffs.<sup>10</sup> Belgian consumer organisation Test Achats/Test Aankoop is for example calling for a ban on doorstep selling.

**PT** In Portugal, the consumer organisation DECO has received calls for help from consumers who were misled on their doorstep into signing a contract with a new energy company. The salespeople often request to see past electricity or gas bills to verify certain amounts and then request a signature without explaining the consequences of signing the document. **X**

**CZ**  
**HR** In the Czech Republic, the consumer organisation dTest reports frequent problems with contracts concluded over the phone involving aggressive salespeople. Sellers often pretend they are the current energy supplier or the regulator to obtain information and conclude contracts without sending a written form of the contract. This is also a common problem in Croatia. **X**

**DK**  
**IT** Some EU Member States have taken action to prevent these aggressive selling practices. In Denmark, contacting the consumer by phone, email, SMS at their doorstep or at work is strictly limited unless consumers have given their prior permission previously. In Italy, consumers can ask to be put on a list which means they cannot receive cold calls from energy companies. **✓**

## BEUC policy recommendations

- Stop aggressive selling practices in the energy sector through effective enforcement and ban doorstep selling in the energy sector.
- Rules governing marketing channels in the energy sector such as phone, email, SMS and social networks should be stricter. Contacting consumers should only be possible if consumers have given their permission previously.

<sup>10</sup> European Commission, [Second consumer market study on the functioning of the retail electricity markets for consumers in the EU](#), 2017, p. 201.

### BARRIER #3

## Complex and bundled energy offers



Energy offers are reaching a level of complexity that is confusing even for an energy market expert. Services bundled into the energy offer, such as insurance or telecom services, and discounts are increasingly used and provide complex pricing structures that are hard for consumers to compare when they are searching for a better deal.

Energy regulators in Europe (CEER) have acknowledged that bundled services are expected to become a bigger problem in the future, and that they represent a challenge to comparison tools.<sup>11</sup> Similarly, the European Network of Energy Ombudsmen has said that the challenges of bundled offers still need to be understood properly.<sup>12</sup>

PT

In Portugal, the consumer organisation DECO reports that Mr. Gomes paid for a new service to repair appliances through his energy retailer for an extra €7.50 per month. When his washing machine broke down, he tried to use the repair service but after several no-shows from the technician, Mr Gomes tried to cancel the service. The company refused, claiming the contract was valid for 12 months. When Mr Gomes received his energy bill, he refused to pay for the bundled energy and repair service. His energy was cut off three weeks later.

X

DE

Consumer federation vzbv says that, in Germany, suppliers frequently offer welcome bonuses or temporary discounts to attract as many customers as possible. Low prices in the first year are usually compensated by higher prices in the second year. Suppliers tend to concentrate on consumers who don't switch and refuse those who have switched suppliers recently.

X

### BEUC policy recommendations

- Make it possible for consumers to easily compare bundled offers and different services within bundled offers, including via comparison tools.
- Require that suppliers give final customers the possibility to cancel or switch individual parts of the bundled contract to prevent lock-in situations when one service is renewed and it automatically renews the other services in the bundle.
- Require unusual conditions including discounts to be identified and highlighted in comparison tools and offers.
- If the contract includes a future change of product or price or a discount, this should be indicated on the bill together with the date when the change takes place. A separate notification about this change must be sent to customers prior to the date.

<sup>11</sup> CEER, 'Guidelines of Good Practice on Comparison Tools in the new Energy Market Design', 2016, p. 33.

<sup>12</sup> NEON, 'Conclusions on Data Management and Complaint Monitoring in the Energy Sector', 2015.



## BARRIER #4

# Switching fees



If you want to switch energy suppliers, you might even have to pay to do so. These fees are justified in some cases, for example where the contract is short and fixed-term. In some cases, these termination fees can be particularly high however, decreasing the potential saving the consumer can make from switching. Sometimes, it is impossible for the consumer to know what those fees even are!

The European Commission has found that currently around 20% of EU electricity consumers face a fee of between €5 and €90 for switching suppliers.<sup>13</sup> This eats into what is perceived by consumers to be a small saving anyway, even though real savings are often far higher.

In France and Lithuania, none of the participants to a mystery shopping exercise found information on the electricity company's website that stated that consumers might incur a fee for cancelling their current energy deal; in Sweden, only 16% of shoppers reported that it was stated on the website.<sup>14</sup>

In a recent BEUC survey, 9 out of 14 national consumer organisations across Europe stated that charges for switching were a barrier to increase switching levels in their countries.

**CZ** In the Czech Republic, consumer organisation dTest noted that fees range from €100 to €300 and that some suppliers, aside from switching fees, ask for compensation for ending an existing contract. In one case, a consumer was asked for €110 as a switching fee and €740 as compensation.

**BE IT** In Belgium or Italy, it is illegal to charge a fee for switching energy suppliers.

## BEUC policy recommendations

- Termination fees should only be allowed for fixed term contracts. This fee should be linked to an advantage that was given to the consumer (a discount, a promotion on the energy price). In such cases, energy companies should be obliged to demonstrate the real cost to be able to charge termination fees. The fee must be reasonable and proportionate to the advantage given to the consumer and monitored by energy regulators.

<sup>13</sup> 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.

<sup>14</sup> European Commission, [Second consumer market study on the functioning of the retail electricity markets for consumers in the EU](#), 2017, p. 107.

## BARRIER #5

# Length and administration of switching process



Some suppliers discourage consumers interested in switching by making the process longer than necessary and administratively more burdensome. The legal period for a supplier to switch a consumer to a new provider is 3 weeks, but this period can be significantly longer depending on the country because of different approaches as to when the switching period starts.

In a mystery shopping exercise organised by the Commission, 30% of shoppers in Slovenia, 36% in Poland, 42% in the Czech Republic and 47% in Italy were told the change from one supplier to another would take more than three weeks, despite this being the legal limit.<sup>15</sup>

**ES** In Spain, the switching process is managed by the energy distribution bodies whose performances vary greatly across the country's regions. The system is prone to mistakes with 19% of switches in Spain in 2016 for gas having been rejected. One of the most common motives for rejection is that the requesters' ID in the distribution company's database is different to the ID from the new supplier's request. This might be due to a new person taking up the contract, which requires a different administrative form in Spain.<sup>16</sup> **X**

**CZ** In the Czech Republic, consumers have not been allowed to end their contract because of an incorrectly spelled name or because the date for the switch was incorrect. In one case, terms and conditions meant a consumer could only end his fixed-term contract in the period between 150 days from the start of the contract and 120 days from the end of the contract. In an extreme case, a consumer was told he had to travel to the capital city to give notice on his energy contract. **X**

**LV** In Latvia, the consumer must notify their old supplier by the 15th of the month if they want to switch by the beginning of the next month. If they don't, they will have to wait another month. This means the entire switching process can take 6 weeks, even if it goes smoothly, which is beyond the 3 week limit for switching energy suppliers in EU law. **X**

**UK** In the UK, the regulator Ofgem is changing the system for switching which should allow consumers to switch within 24 hours by 2019. The network (CEER) and agency (ACER) for Europe's energy regulators have recommended that switching in 2025 should take place within 24 hours because it is technically feasible.<sup>17</sup> **✓**

## BEUC policy recommendations

- Make the switching period faster and simpler for consumers. The switching period should be reduced to 24 hours as soon as possible, based on a cost-benefit analysis, and no later than by 2022.
- The right to switch suppliers should be granted to customers in a non-discriminatory manner as regards cost, effort or time, including those who generate, store, consume and sell electricity either individually or jointly and those who own electric vehicles.

<sup>15</sup> European Commission, [Second consumer market study on the functioning of the retail electricity markets for consumers in the EU](#), 2017, p. 384.

<sup>16</sup> CNMC, [Annual monitoring report on switching](#), 2017.

<sup>17</sup> CEER, [White Paper series on the European Commission's Clean Energy proposals](#) (2017), p. 1.



## BEUC member list

Country	Written name
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AT	Verein für Konsumenteninformation
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BG	Асоциация Активни потребители
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MT	Għaqda tal-Konsumaturi
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NO	Forbrukerrådet
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PL	Federacja Konsument w
PT	DECO
RO	Asociația Pro Consumatori
SK	Združenie slovenských spotrebiteľov
SK	Spoločnosti ochrany spotrebiteľov
SI	Zveza Potrošnikov Slovenije
ES	CECU
ES	OCU
SE	Sveriges Konsumenter
UK	Which?
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IT	Consumatori Italiani per l'Europa
LT	Lietuvos vartotojų organizacijų aljansas
MK	Organizacija na potrosuvacite na Makedonija
UK	Citizens Advice
UK	Financial Services Consumer Panel
UK	Legal Services Consumer Panel





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