PROPOSAL FOR A DIRECTIVE OF THE EUROPEAN PARLIAMENT AND COUNCIL

on energy efficiency and repealing Directives 2004/8/EC and 2006/32/EC

BEUC position paper

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Summary

The Energy Efficiency Directive outlines measures to use energy more efficiently at all stages of the energy chain, thereby very closely involving final consumers. Increased efficiency can potentially bring down energy expenditures for European consumers, provided the efficiency measures are cost-effective and supported by appropriate incentives.

Energy being such an essential, everyday commodity, **policy-makers must make sure that consumers are fully protected and helped to get the best deal possible**. This is all the more important when dealing with vulnerable consumers.

Effective introduction of energy efficiency measures and ensuring a successful uptake rate by European consumers requires a smart, consumer-centred roll-out, taking into account their needs and specificities.

Energy markets need to be as transparent as possible, so consumers have all the information they need in order to be able to benefit from competition and choose what source best suits their needs, know their rights and have the means to resolve disputes when these are violated.

Furthermore, **policy-makers need to communicate and explain the costs that the efficiency measures could bring onto consumers, and not focus exclusively on the potential benefits**. Proposed measures therefore should be accompanied by information schemes as well as training and education of specialists.

BEUC therefore suggests enhancing the consumer-friendliness of the Energy Efficiency Directive in the following ways:

1. **Empower consumers with new technologies such as smart meters**. These boast enormous potential for consumers to modify their behaviour if provided with the 'real time' as well as historical energy usage data and possibly save money on their bills. However, achieving these objectives requires carefully assessing the impact of roll-out on consumers; giving consumers the choice of whether or not to use a smart meter; and making processes easy and transparent for them. The success of smart metering should be measured by effective behavioural change undergone by consumers, with a special emphasis on vulnerable consumers. This change requires delivering accurate information to consumers, but also personalized advice and assistance on how to best act upon it.
2. **The costs incurred in meeting the energy obligation schemes are likely to be transferred to consumers** one way or another. Therefore, it is extremely important that no additional, burdensome financial pressure is put on consumers, in particular the most vulnerable. This requires foreseeing strong, financial monitoring provisions and ambitious auditing. Finally, there should be a stronger focus on long-term measures, as short-term measures have not and will not bring about considerable energy savings.
3. **Ensure consumers benefit from demand response**, and are assisted to understand its impact and be convinced, where appropriate, of their interest in shifting the timing of their energy consumption. Furthermore, when implementing 'time-of-use' tariffs, a distributional analysis should be undertaken to determine how different groups of consumers can benefit from new deals and where demand response is feasible in order to reduce peak loads.

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Introduction

Energy efficiency needs consumer engagement to deliver

As energy bills are already high and continually rising, energy efficiency can be considered one of the most sustainable and cost-effective ways of reducing energy bills, enhancing security of supply and reducing carbon emissions. In order to achieve these objectives, any measure which promotes energy efficiency must be appropriate to the needs of consumers, as cost-effective as possible and supported by the right incentives.

Transparency in energy markets is key

A well-functioning energy retail market must be transparent in order to allow well-informed consumers to truly benefit from competition, be able to compare information on consumption and costs, and have total awareness of their rights and means of dispute resolution. Consumer trust and confidence in the market is also crucial - the present situation shows that the energy market is one of the worst performing from a consumer trust perspective.

Need to communicate not only the benefits, but also the costs of efficiency measures

Policy-makers should not only focus on the benefits that energy efficiency can bring to consumers, but also make sure these benefits are delivered to consumers and clearly communicate the costs of efficiency measures. Consumers need transparency and information about these benefits, whether related to comfort or to monetary savings. It has to be kept in mind that efficiency measures are technical solutions aimed at achieving the same output, but by using less energy. However, it cannot be expected that consumers are always aware of the best available technology in different sectors and are able to compare them. Every efficiency measure has therefore to go hand in hand with independent and accredited information schemes as well as the training and education of specialists.

Risk of discrimination of vulnerable consumers

The needs of vulnerable consumers in particular have to be an integral part of all efficiency policies. These policies will have to pay attention to the possibly discriminating effects of energy efficiency incentives for vulnerable consumers and adopt corrective measures if so. Vulnerable consumers should not experience the cost of energy efficiency measures being transferred to their energy bills, further worsening their vulnerability.

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Proposals to enhance consumer impact of the Energy Efficiency Directive

BEUC welcomes the positive initiatives in the proposed Directive on Energy Efficiency, but also believes the provisions on consumer awareness, information and advice can still be improved in order to increase consumer engagement and trust in the energy market. Therefore, special attention needs to be paid to the following key issues:

Empowering consumers with new technologies

Smart meter roll out to be subject to careful impact assessment

Smart meters can have an impact on energy efficiency and load reduction, but also represent significant risks if not carefully assessed prior to their deployment. Thus, it is essential that all Member States conduct a cost-benefit analysis prior to smart meter roll-out (as set in the Third Energy Package) to analyse if the overall benefits really outweigh the costs.

National strategies for consumer engagement with smart meters

Member States should set the national strategies on smart meter roll-out, especially on how to engage with consumers. Only by motivating consumers to change their energy consumption behaviours and by empowering them with the right tools and incentives to become active players, will it be possible to facilitate the necessary changes in terms of higher efficiencies and energy savings. When smart meters are installed, consumers should be provided with real time information on their energy consumption free of charge, in a format they can use to compare deals on a 'like for like' basis.

Furthermore, reporting on how smart meters deliver to consumers the benefits and potentials identified in the Government's Impact Assessment is also important.

From installation of smart meters to real change in energy consumption

To encourage consumers to engage in the market and switch suppliers, it is important to make the process as easy and transparent as possible. This includes limiting the barriers that providers may introduce (e.g. charging for data, delaying information provision). However, the information provided via smart meters will not deliver behavioural change if the consumer is not in a position to interpret the data and to follow this information up. Therefore, there are sensible requirements with respect to meter displays, whichever technology is used. The interface must be built on principles of inclusivity by design, making information easily accessible by consumers and in a format familiar to the consumer. The information should include the volume of energy consumed, unit price, effective price and any additional charges. Moreover, consumers should have access to their historical consumption data and that reflecting all discounts applicable to the tariff. Also, upon installation of the smart meter customers should be given the appropriate information and advice to maximise the potential benefits of smart meters.

Also, the provisions on information and advice in this Directive are insufficient to achieve the Directive's stated objective of engaging the respective groups of end consumers and thus need to be strengthened. There needs to be a focused effort on improving these advisory requirements which run across the respective Thematic Blocks of the Directive. It is important that information provision and advice is not set

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as an end in themselves, but is included in a legislative framework that only rewards the outcomes (and not the outputs) of energy efficiency projects.[1]

Measurement of smart metering success to be based on effective behavioural change

Smart meter success should be measured on the basis of behavioural change, consumer satisfaction with products and services and changes to the energy efficiency of homes while ensuring that the experience, particularly of early movers, is a positive one by establishing a simple and easy channel for advice and complaints. Complementary information should be available via the interface or the internet at no upfront cost. Considering that 30% of Europeans still do not have access to the internet, this data should also be available in hard copy at no extra cost if required.

More analysis needed on the impact on vulnerable consumers of smart meters

Finally, the impact on vulnerable consumers should be analysed as they will need extra support to reduce their energy bills and benefit from this scheme they are or will be paying for.[2]

Demand response

Consumer challenges with regard to demand response

There are a number of challenges to deliver benefits from demand response. First, all consumers should be assisted to understand the impact of demand response and be convinced, where appropriate, of their interest in shifting energy consumption. This could be done for instance with projected bills based on actual energy use over a number of seasons. Second, one must not underestimate the limits of the flexibility of energy needs. There will be consumers who will be unable to shift their energy consumption from peak to off-peak times and may end up paying more with the introduction of time-of-use tariffs related to demand response.[3]

Distributional analysis of the impact of time-of-use tariffs on different consumer groups

We also strongly recommend performing a distributional analysis on the impact of time-of-use tariffs on different customer groups, factoring social background, household size, consumption patterns, technical equipment, etc. Before implementing the tariff, it has to be clear if and how various groups can access the benefits of new deals and where demand response makes sense in order to reduce peak loads.[4] It should always be up to the consumer to decide if he wants to take an active role in the demand response programme.

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[1] For instance, there should be no reward on the basis of mass mailing of leaflets.

[2] Such as the Extra Help Scheme, similar to that for the digital switchover, which guarantees help and support is provided to those who need it most.

[3] For example, in Victoria, Australia, concerns that time of use tariffs would be a 'tax on the poor' led to a halting of roll-out and protections being put in place. The State government recognised that not all customers would benefit from new time of use tariffs or be able to afford smart appliances to enable them to take advantage of cheaper direct load control offers.

[4] Aside from level of income, this analysis should take into consideration vulnerability, heating type, dwelling and location details, among other factors. These factors will influence the degree of flexibility the household has in shifting their load and help assess any benefits and risks.

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Energy Efficiency Obligation Scheme:

Need for different design options depending on national market situations

An energy obligation scheme has three interelated charateristics: an obligated entity; a quantity control in the form of a set target; and independent funding. Particularly when it comes to funding, it must be made clear that the initial costs of this obligation are likely to be met by consumers and therefore needs to be designed in ways which do not impose any financial burden on them.[5] Any regulation at European level has to be flexible enough to allow for different design options within its Member States, so that any scheme can account for different market situations and guarantee the best benefit to consumers. This also means that Member States can decide who should be the obligated party in order to fullfill the obligation.

Need for more ambitious auditing and monitoring provisions

Apart from these general characteristics, there are some important design options which should be mandatory in order to make sure that the scheme truly has a positive impact. The current proposal lacks strong financial monitoring provisions which would result in reporting of the scheme costs by the energy provider or what costs they pass to consumers in their energy bills, and whether these charges passed on are equal to, higher or lower than the costs incurred. This means it will not be possible to tell how cost-effective the scheme is, nor how much consumers are paying for it by way of their bills.

Therefore, the current proposal should be more ambitious in terms of robust monitoring and auditing of actual savings to ensure measures do indeed deliver the carbon or energy savings claimed. Moreover, reporting on and transparency of cost-effectiveness of the obligation scheme to assess the impact on energy bills and how cost-effective the scheme is, (in terms of for instance, the number of € per unit of energy saved) as well as the impact on fuel poverty is equally important. The overall objective should be to ensure that energy savings are delivered at the lowest possible cost to consumers. Otherwise, there is a risk that the scheme could actually increase fuel poverty for many more consumers (as it is likely to be funded through energy bills and not everyone will benefit from the measures) rather than reduce it.

More focus on long-term savings

Regarding measures focusing on savings, more attention should be paid to measures targeting long-term savings which are relatively cost-effective, practical for many consumers and relatively certain to last for many years. Moreover, we are concerned that measures targeting short-term savings as proposed by the Commission will not work very well and will therefore not bring about considerable savings.[6]

[5] For instance, in the UK all consumers pay for CERT via their energy bills (believed to be about £60/€70 a year for each household).

[6] (a)Based on legal ecodesign requirements, consumers will not be able to buy incandescent light bulbs in the future and replacement with more energy efficient alternatives such as CFLs is already underway; (b)There is no current definition of what an energy efficient shower head is; (c) it is hardly measurable and thus unclear how the information campaigns contribute to energy savings.

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Therefore, the Directive has to be clear on the fact that short-term savings should not account for more than 10% of any scheme. The scheme should be designed in order to avoid missed opportunities. Regarding short-term measures this means that when consumers are about to buy new appliances the scheme should help consumers make well-informed choices, taking into account efficiency aspects as well. This entails determining the saving potential of households based on well-designed energy audits. Only in combination with such energy audits will measures targeted to reduce household energy consumption make sense.

Moreover, we do not see any added value to Annex V (3) as the list contains only some appliances and default values, but does not allow for the calculation of a representative energy consumption of a household.

Finally, there is more potential for carbon savings when using measures targeting the fabrics of the house (such as boilers, heating systems). Therefore, consideration should be given to requiring 90% of energy savings being achieved by long-term measures.

Need for specialist advice and installation

Furthermore, all energy efficiency measures have to be installed by a professional (excluding those which are short-term) and there have to be procedures in place to guarantee quality. Consumers can only benefit from efficiency measures if they are installed in the right way. As efficiency technologies become increasingly complex, we fear that the deployment and implementation of these technologies is insufficiently monitored.

For instance, our Portuguese member's survey on the advice provided by air conditioning installers evidenced very weak practices: in 40% of the cases the recommended air conditioning capacity was wrong for the room, while in almost 30% of the cases installers still recommended a conventional model (non-inverter).[7] Also, VZBV the German consumer organisation, checked condensing boilers in households and found that only about 1/3 of these boilers work in a reasonably sufficient way.[8] Which?, the UK consumer organisation, also found problems with the quality of advice for cavity wall insulation in their investigation.

It is not enough to launch new programmes without taking into account whether or not the technology is installed in the right way. Therefore robust accreditation of companies and strong post-installation verification must be an integrated part of any obligation scheme.

Independent evaluation

Robust monitoring with an element of independent evaluation is therefore needed not only on the costs, benefits and cost-effectiveness of the scheme, including the impact on energy bills and fuel poverty, but also to show that the predicted energy savings are actually being delivered. The experience of the supplier obligation in the UK, where over 300 million compact fluorescent light bulbs (CFLs) were distributed before

[7] See Proteste n° 302, May 2009
[8] http://www.vzbv.de/start/index.php?page=presse&mit_id=1501&task=mit

the practice of mass mail outs and giveaways was stopped, shows how important it is to have a strong monitoring regime.

System of mutual recognition of ce rtified energy savings is unacceptable for consumers

The Commission has put forward an option to establish a system of mutual recognition of energy savings which, if achieved, would allow obligated parties to offset energy savings achieved and certified in one Member State against their obligations in another Member State. We strongly disagree with such a proposal as this would mean that consumers in one country would be paying higher bills to the benefit of consumers in another Member State. Therefore, we consider it is essential that this clause is deleted in order for the obligation to be fair and benefit consumers in all Member States.

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