



The Consumer Voice in Europe

# National Energy Retail Markets – a snapshot from a consumer perspective







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# The market does not work

High degree of consumer dissatisfaction – why?

- Unclear and incorrect billing
- Lack of transparent contract conditions
- Difficulties in switching
- High prices, lack of transparency of offers
- Aggressive marketing practices
- Poor complaint handling mechanisms
- Limited competition
- Expansion of energy poverty without compensatory measures

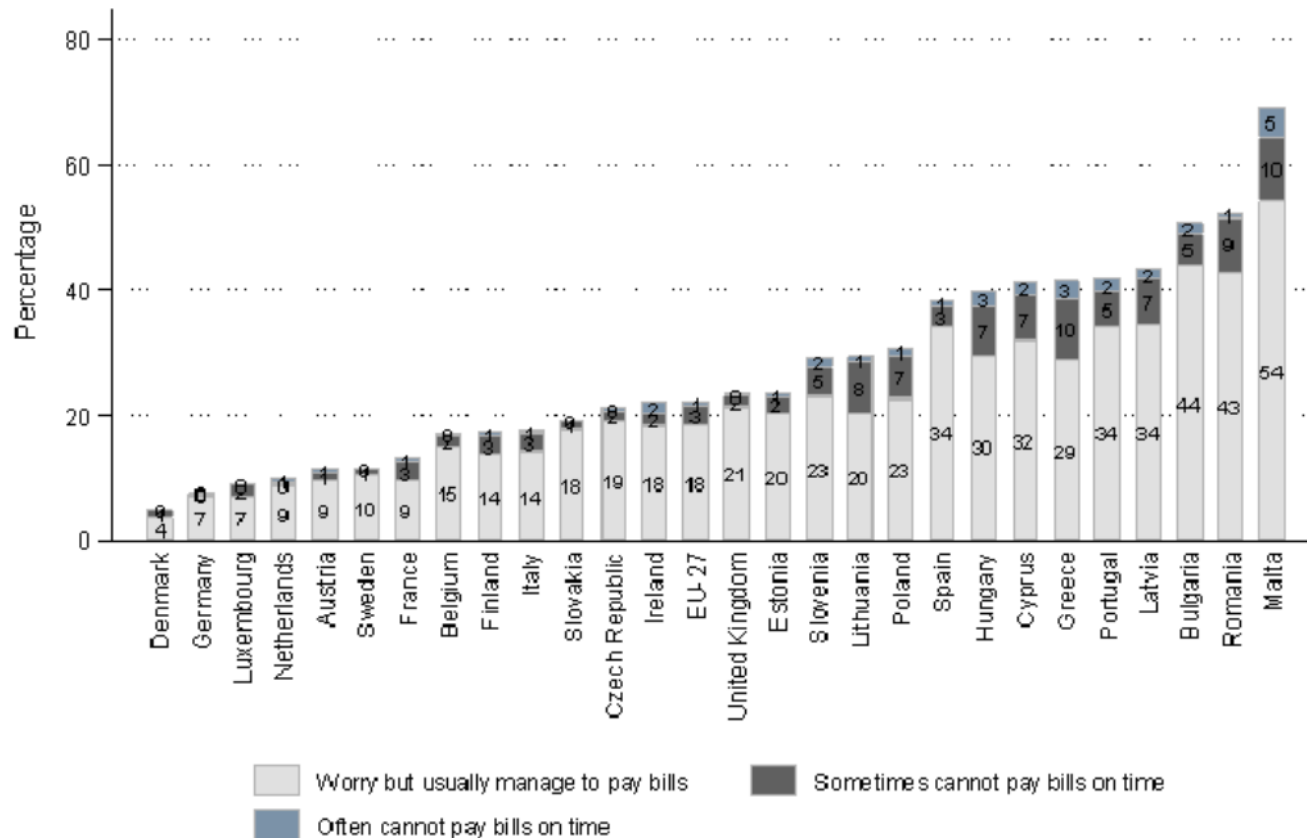
# The market does not work

-  Less than 2/3 of consumers are satisfied with their supplier
-  Less than 1/3 of consumers have compared offers from different suppliers
-  40% of consumers don't know if there is a cheaper tariff for them
-  Less than half of consumers know how much electricity they consume
-  72% (!! ) of consumers are dissatisfied by how their complaints were handled
-  Most of the time, price per unit decreases as consumption increases – no incentive to be efficient

# The market does not work

## 1) Affordability is a key issue for a service that is essential

Figure 185: Proportion of consumers who had difficulty paying their electricity bills

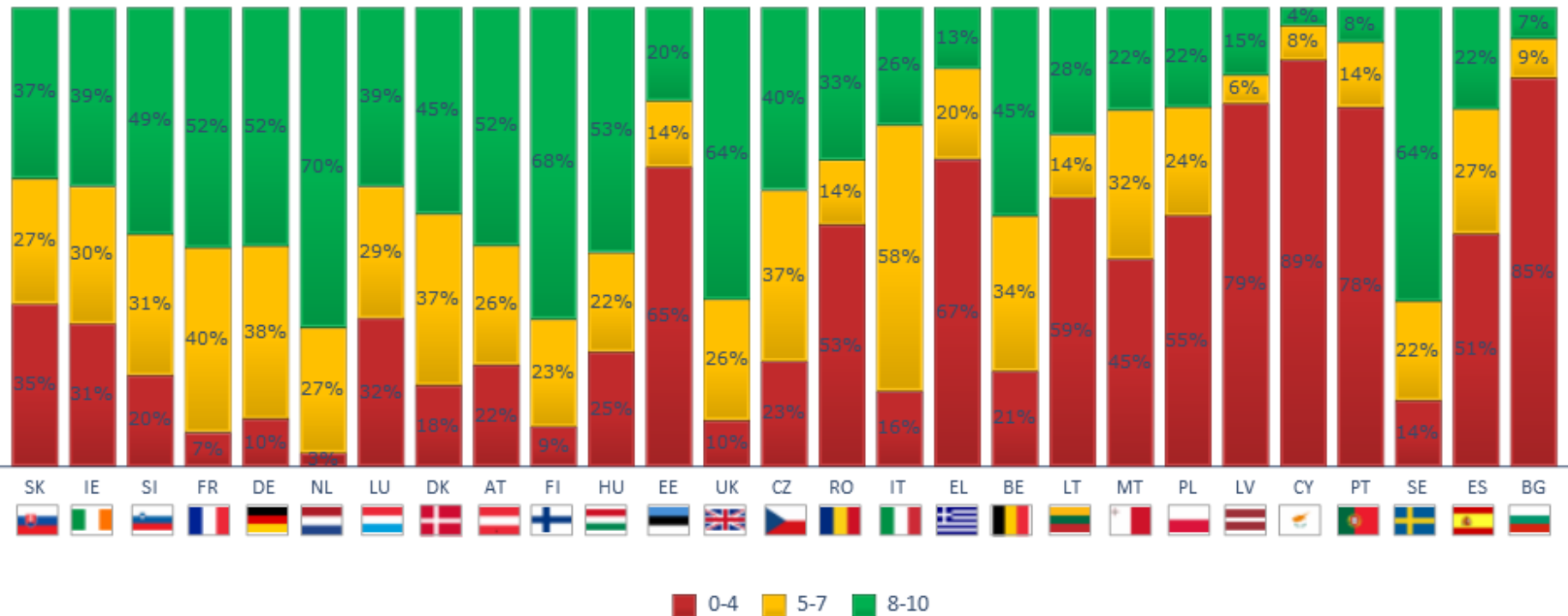


# The market does not work

## 2) In most markets, there is a severe lack of consumer choice

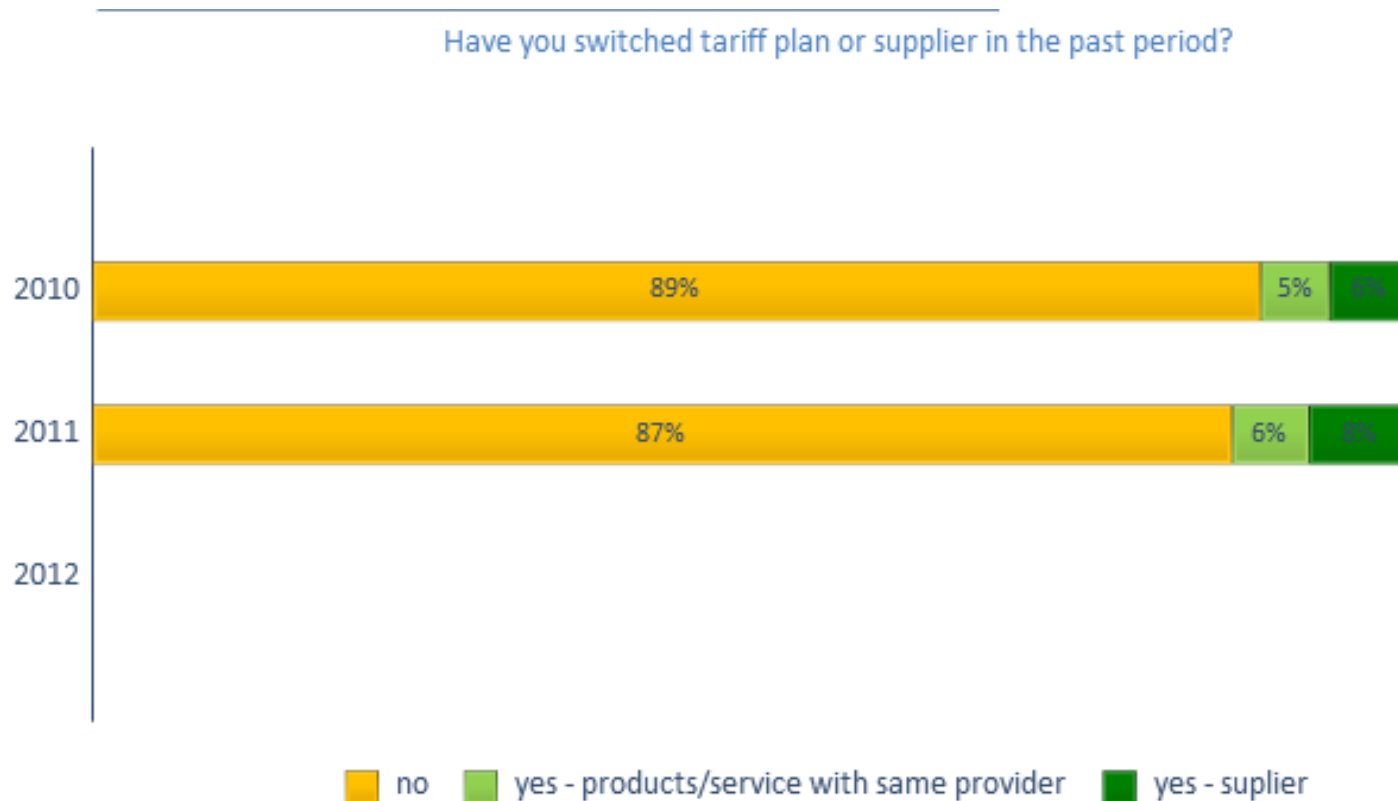
On a scale from 0 to 10, would you say there are enough different retailers/providers you can choose from?

79.4 77.1 76.9 76.7 76.3 75.2 74.9 74 73.9 73.7 72.6 72.2 71.8 71.7 69.7 69.2 68.3 68.2 68.2 67.6 67.1 66.4 65.5 63.2 62.9 55.3 54.1



# The market does not work

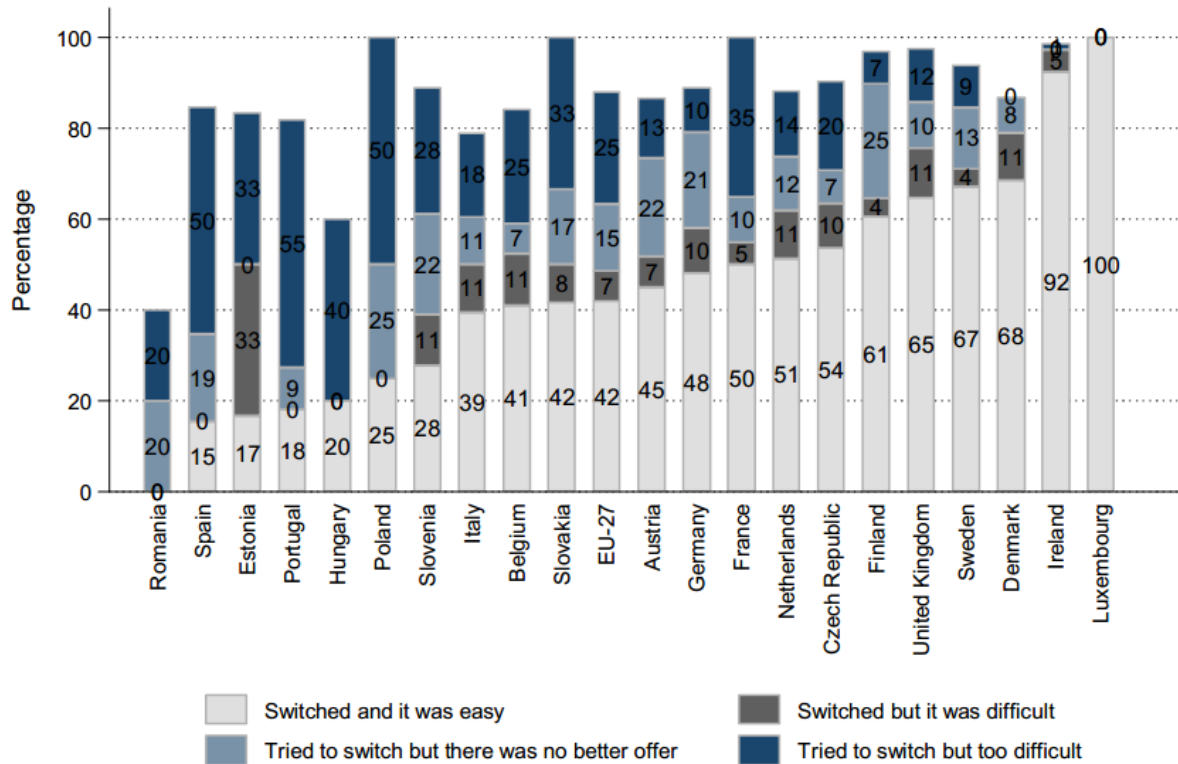
## 3) Therefore, consumers don't switch



# The market does not work

4) ... and even if there is choice, it's often very hard to switch

**Figure 37: Ease of switching (percentage of respondents who tried to switch supplier)**



# Spain

- Liberalisation has not led to real competition - 79% of consumers believe it has not brought about better prices.
- Only 13% of consumers have switched electricity providers; 30% for gas.
- The free market has not brought about significant savings but instead more risks for consumers:
  - Contractual risks: length and renewal, prices, unfair contract terms
  - Discounts conditioned upon subscribing to ancillary services to getting bundled gas & electricity services
  - Difficulties in switching



# France

- The opening of the market to (a bit of) competition has led to an increase in prices: up 15% since 2007, and estimated to go up more than 28% by 2016.
- The difference in competing prices is decreasing. In 2011, the best offer for consumers was only 4% lower than regulated prices – no real savings is possible.
- Competition and unbundling of production, transport, distribution and supply has led to a significant decrease in quality of service.
- Big problem of consumer misinformation: only 42% of consumers know they can switch supplier, and 50% believe switching is not free.

# Germany

- Costs of renewables too high and likely to increase – the choice of technology has to be cost effective for consumers and feed-in tariffs set at a reasonable level .
- Not enough energy efficiency programs (both electricity consumption and buildings' efficiency) .
- More and smarter investment in smart grids is needed – since consumers will pay, cost efficiency is of utmost importance and the grid should only expand where truly needed
- Costs are not being shared in a fair manner – national strategies are needed to prevent energy poverty. More transparency needed.

# Portugal

- Instead of creating real competition to bring *free* market prices down, regulated tariffs are being increased to force consumers onto the *free* market.
- No real competition in the gas market, and a very limited of alternative suppliers in the electricity market.

## ... and it gets even worse in CESEE countries

- Lithuanian consumers suffer from drastic prices of central heating, where the monthly bill can reach  $\frac{1}{2}$  of the income of a household.
- Cyprus, Malta, Latvia, Lithuania, Romania, Bulgaria and Greece - supplier switching in these countries is set to 0% due to the existence of monopolies or regional monopolies.
- In Greece the liberalisation process has failed completely, and the Government has had to take a step back and cover debts left by newcomers.

# Poland

- No real competition in energy retail markets.
- Switching supplier does not make sense – it's problematic and brings almost no real benefits in terms of lower prices, better contract terms or better service.
- Limited choice – most consumers cannot choose between alternative suppliers.
- Lack of consumer awareness of energy issues allows companies to carry on aggressive practices

# Latvia

- Electricity market has been liberalised but switching rate = 0% due to the dominant position of *Latvenergo Group*
- Increasing number of vulnerable consumers
- Increasing prices – electricity tariff increase amounted to 33% in 2011
- Many state authorities do not have direct responsibility (by Law) to advice consumers on energy issues



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