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ACER-CEER Retail and Consumer Protection Volume MMR

Retail and Consumer Protection MMR - Launch

10 November 2021

- Please note that the **webinar is recorded**
- You are welcome to ask questions at any time during the webinar **in the chat**:
 - When asking a question, please **be concise** and indicate the **topic of the question** (i.e. switching rates, comparison tools)
 - The Q&A session (20 min) will take place **at the end of the webinar**
- The **slides will be shared with you** after the webinar via email and on the ACER website (including a recording of this webinar).

Time	Item
10.00 - 10.05	Introductory remarks – Annegret Groebel, CEER President & ACER Board of Regulators Member
10.05 - 10:25	Key findings from the Market Monitoring Report - Deniz Erdem (CEER) & Séamus Byrne (ACER) Report Conclusions & Recommendations - Jana Haasová, Co-Chair, CEER Customer & Retail Markets WG & ACER Retail WG
10.25 – 10. 35	What is your view on how these findings relate to future EU policy challenges and priorities? Adela Tesarova - Head of Unit, Consumers, Just Transition, and Local Initiatives Anne Weidenbach – Policy Officer, Energy Efficiency
10:35 – 10:50	Q & A
10:50 – 11:00	Conclusions – Christian Zinglensen, Director, ACER

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Introductory remarks

Annegret Groebel

CEER President & ACER Board of Regulators Member

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Key findings

2020 Retail Markets and Consumer Protection MMR

Deniz Erdem (CEER) & Séamus Byrne (ACER)

ACER Market Monitoring Task Force Co-Conveners

Recent Developments & Executive Summary

-Conclusions

-Report Summary

1 Introduction

Clean Energy Package

Impact of COVID-19

2 Retail Market Structure

Introduction

Suppliers (HH, nHH)

Market concentration (HH, nHH)

Public price intervention (HH, nHH)

Energy consumption (Electricity and gas consumption, CO2 intensity and GHG emissions)

Drivers of structural change (EV penetration)

Conclusions and recommendations

3 Conduct of energy consumer & suppliers

Switching duration (HH switching rates, consumer perception indicators, offer type availability)

Comparison tools

Smart meter roll-out (functionalities, consumption info, products/services enabled by SMs)

The active consumer (prosumers, DSR, CECs, barriers to active participation)

Consumer bills (billing information, bill breakdown)

Conclusions and recommendations

4 Performance of energy retail markets

Energy Prices (domestic retail prices, mark-ups)

Energy poverty and consumer protection (vulnerable customers, disconnection, energy poverty, SOLR)

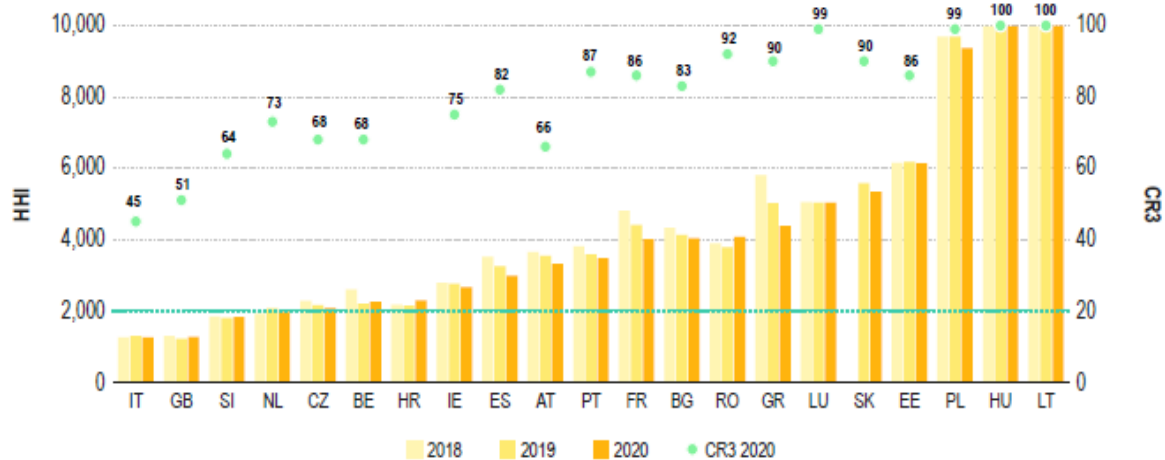
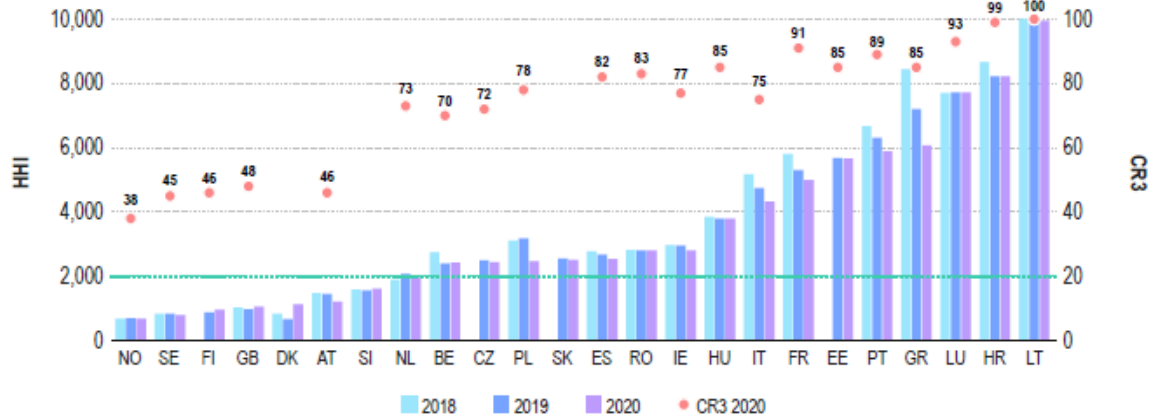
Complaints (handling bodies and procedures, ADR, complaint data)

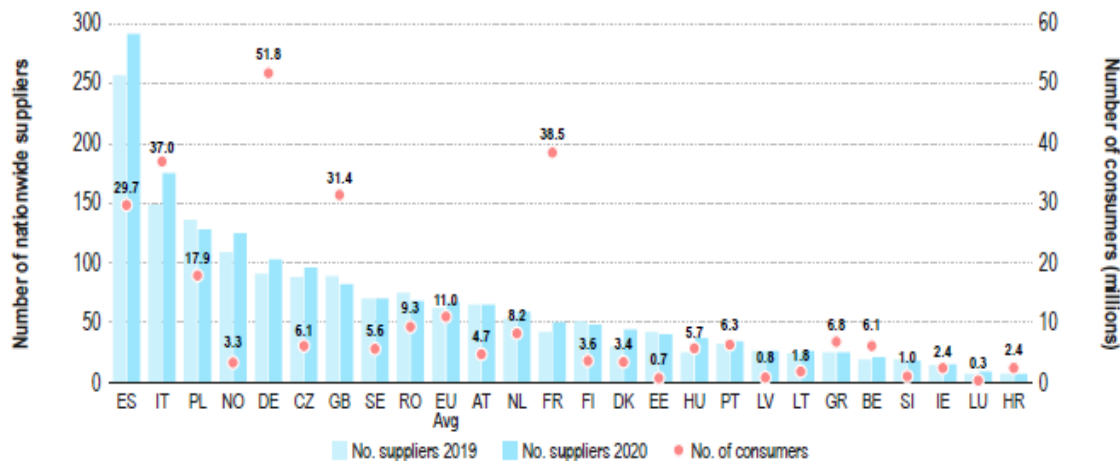
Conclusions and recommendations

Updated structure

New topics

- Household (HH) Elect/Gas: Majority MSs recorded a HHI reduction.
- Non-household markets show lower concentration levels
- While reductions in HHI were recorded in the majority of MSs in 2020, HHI remains above 2000 in most MSs

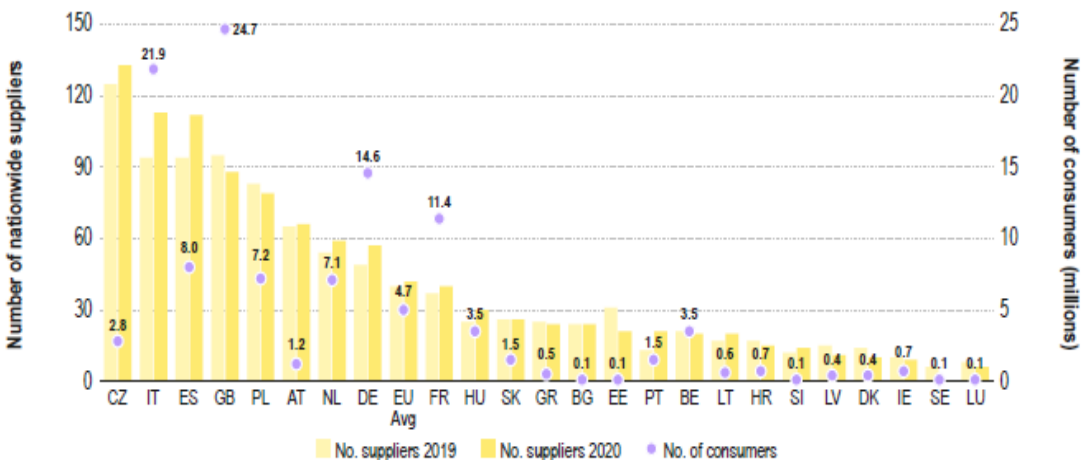




Higher entry IT, ES in both electricity and gas, this is consistent with HHI reductions.

Higher No. Supplier/Customer ratios not consistent with market concentration.

- In non-household, despite the COVID-19 pandemic, only 7 MSs in electricity and in 7 in gas report a reduction in nationwide suppliers in 2020.



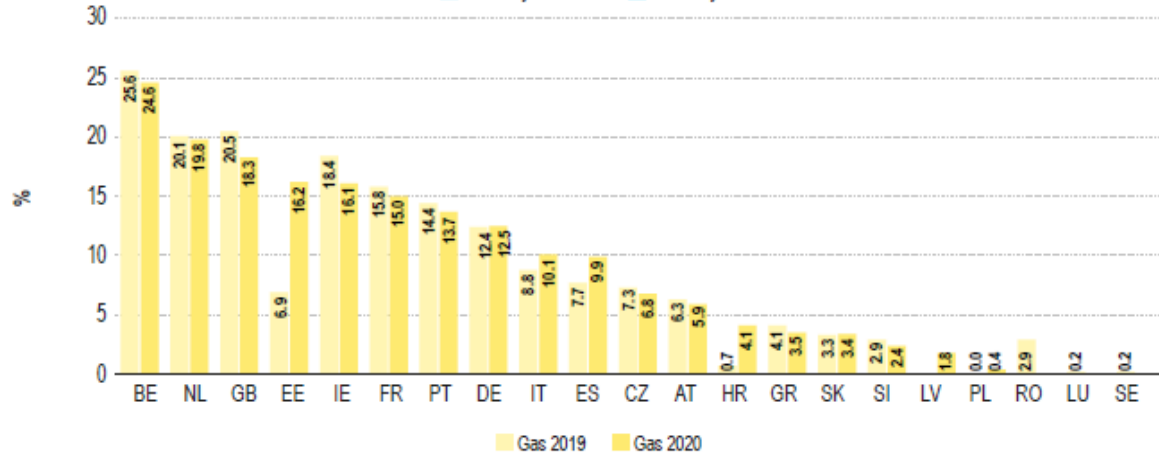
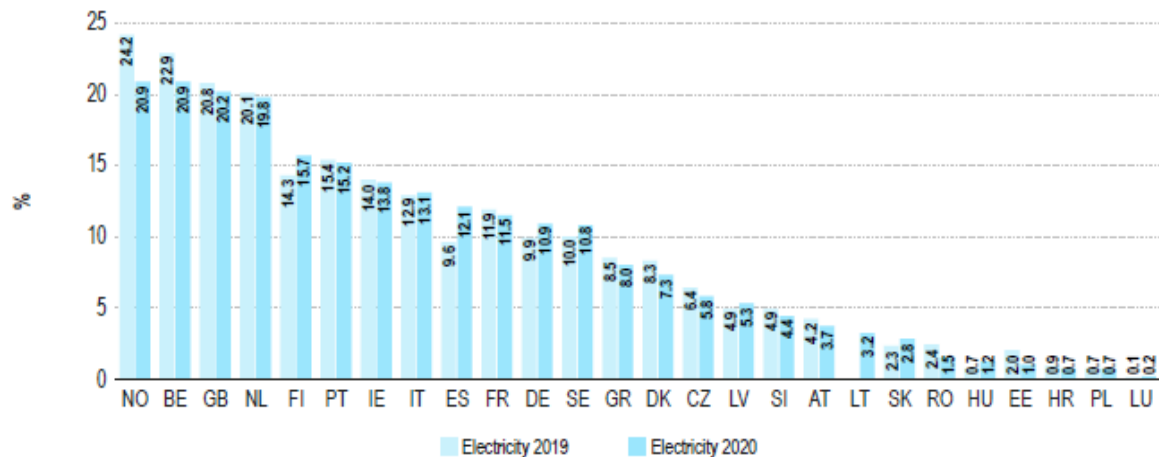
Emissions

- GHG emissions 2019 (Eurostat)
 - The energy sector is responsible for more than 70% of EU27 greenhouse gas emissions **electricity and heat production** take up a substantial part (roughly **27%**).
 - **share of GHG from electricity/heat varies substantially**
 - **share of renewables in consumption and carbon intensity vary widely**
- **Conclusions on GHG emissions**
 - Decarbonising electricity sector already poses varying challenges on European countries, need to consider fast decarbonisation in line with other sectors in national pathways to (net) zero.

Structural changes

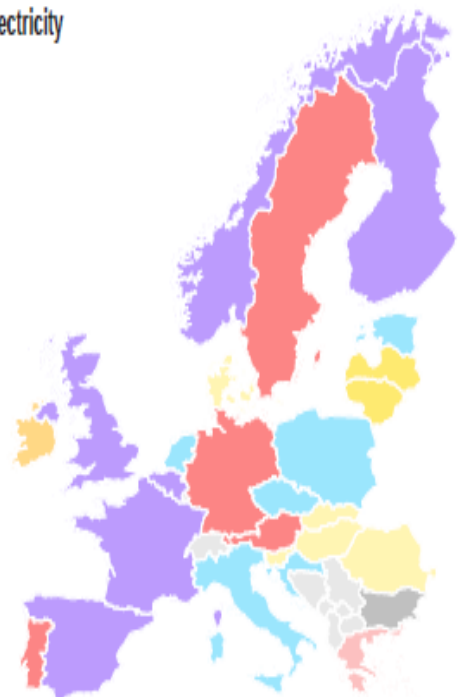
- As we move through the transition
 - role of consumer will also change
 - EV rates are currently low but increasing
 - Collaboration will be needed between networks, suppliers, and the consumer
 - Smart meters key to enabling the collaboration and ensuring consumers receive the correct signals.

- **15 countries in electricity and 14 countries in gas** have some form of public price intervention for household customers.
 - For non-household consumers, public price intervention is reported to exist in **9 countries in electricity and 4 in gas**.
 - Seven MSs have public intervention for vulnerable customers in electricity and three in gas.
- **Five countries in electricity and seven in gas** have committed to a **roadmap** for a price intervention removal in the household segment.

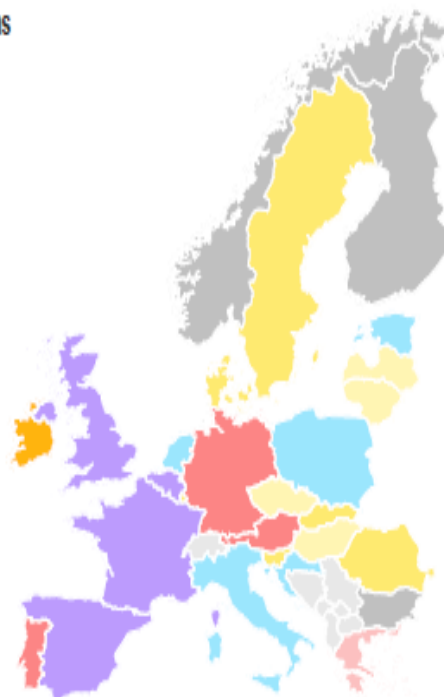


- Best performing MS in Elec & Gas are almost the same as 2019 – but a decrease observed
- A comparison exercise of switching rates with consumer perceptions from the EC New Consumer Market Monitoring Survey was conducted.
- Consumers that switch in general find the process easy to do. There is a large proportion of consumers who have never switched nor assessed options available to them.

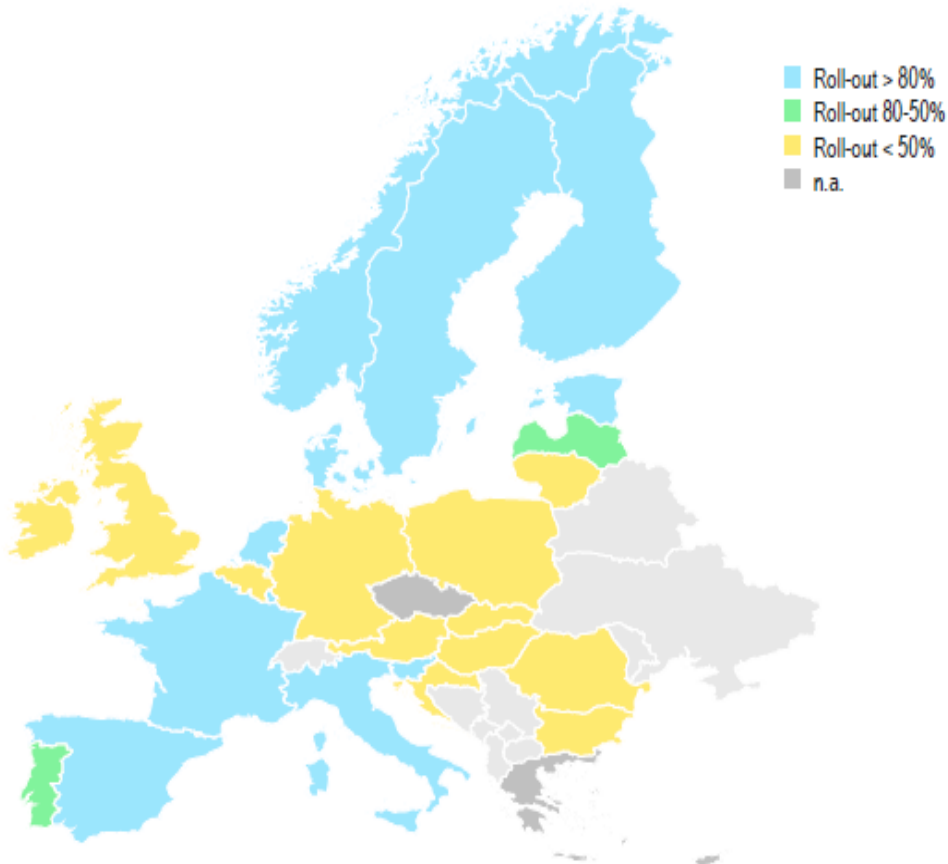
Electricity



Gas



- Comparison tools for electricity exist in 25 MSs for electricity and 19 for gas
- In order to empower and benefit consumers, consumers must know about and how to utilise comparison tools.
- When consumers use comparison tools, the vast majority find them relatively easy to use.



- The roll-out of electricity smart meters improving.
- Some delays are arising or can be expected in the future, due the accumulated backlog caused by the Covid-19 pandemic.
- Five Member States will achieve 80% after 2024.
- In the gas sector, limited smart meter roll-out.

- Electricity dynamic offers, real time pricing and other more advanced services are still limited - **linked** to the availability of **smart meters**.
- The use of PV panels among household consumers is low. Cost and regulatory arrangements can limit the incentive to invest in such infrastructure.
- Selling excess energy available in 21 MSs and aggregators available in 19 MSs signaling future opportunities for energy consumers.
- Statistical coverage of citizen energy communities is still limited.

- Price and volume related information is available in most countries, switching and comparison information the least
- Shortcomings remain on informing about the fuel company mix, the environmental impact of energy consumption and contact details for dispute resolution
- Bills of varying "length" across Europe indicates different **"complexity levels"** - **facilitates or inhibits** consumer action

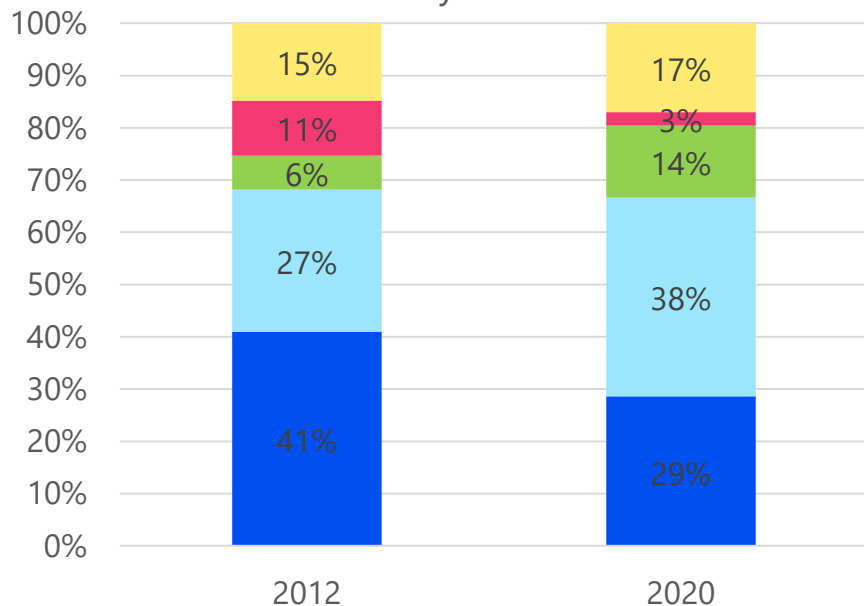
Electricity



Gas

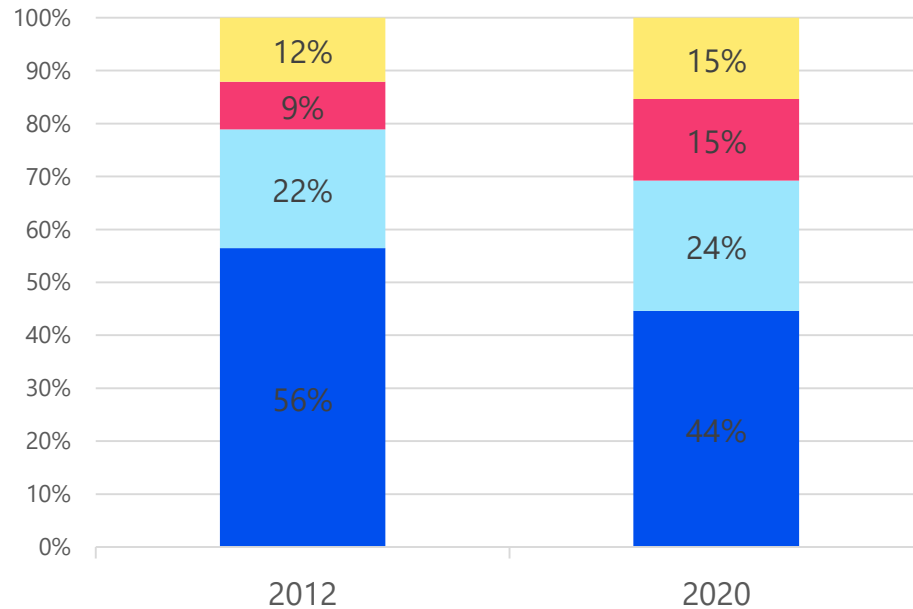


Electricity Breakdown



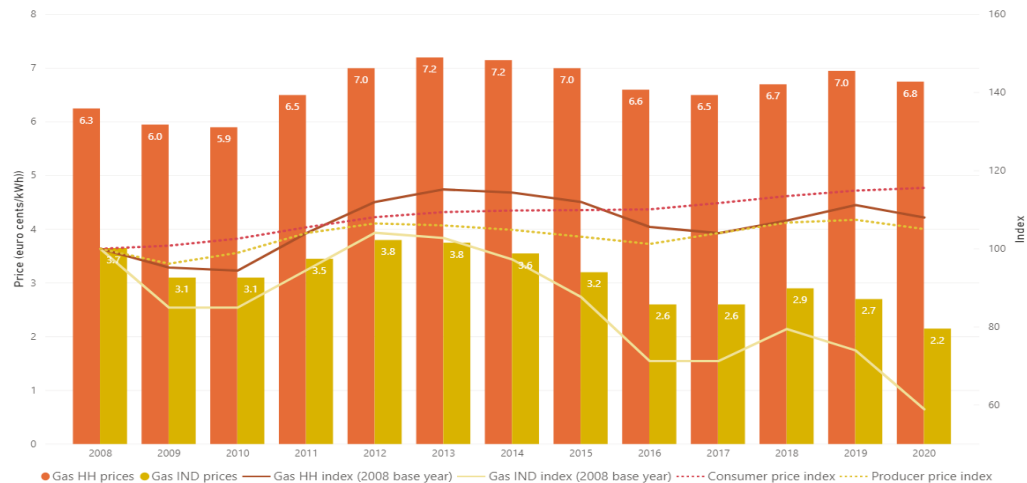
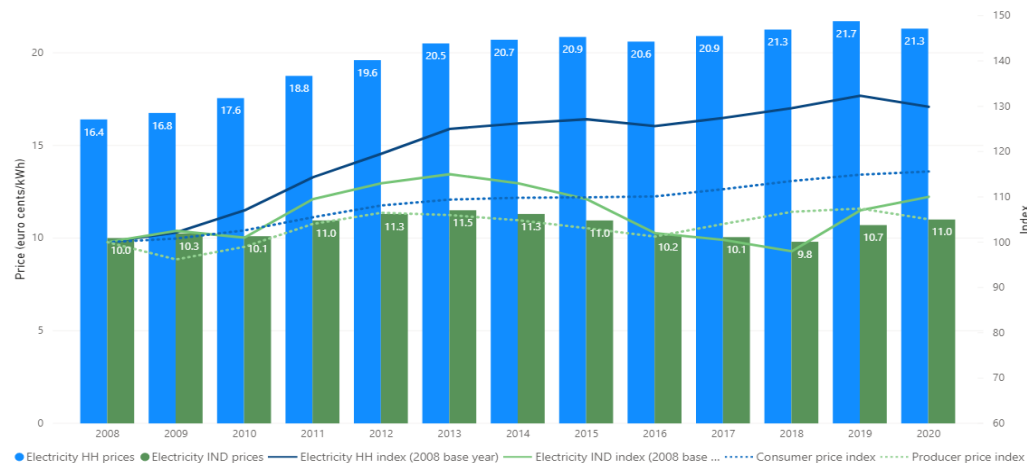
■ Energy ■ Network ■ RES ■ Taxes ■ VAT

Gas Breakdown

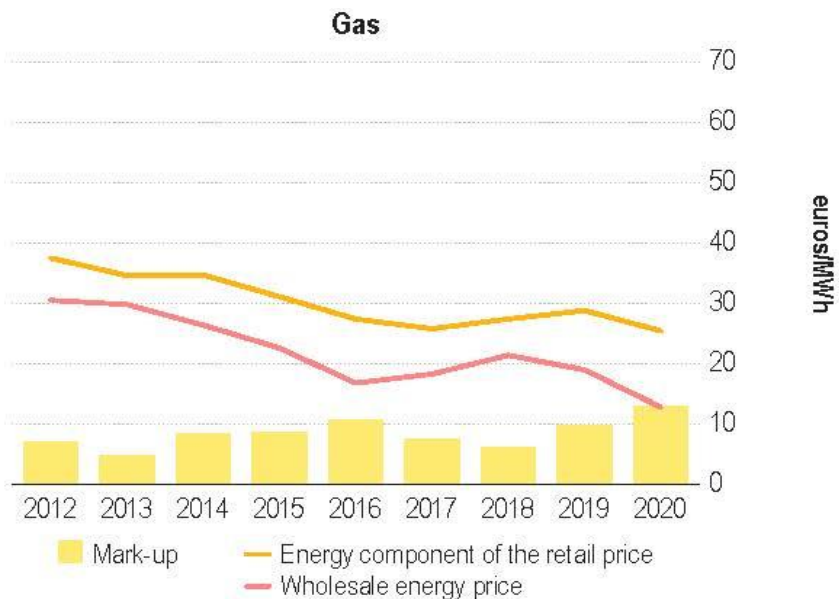
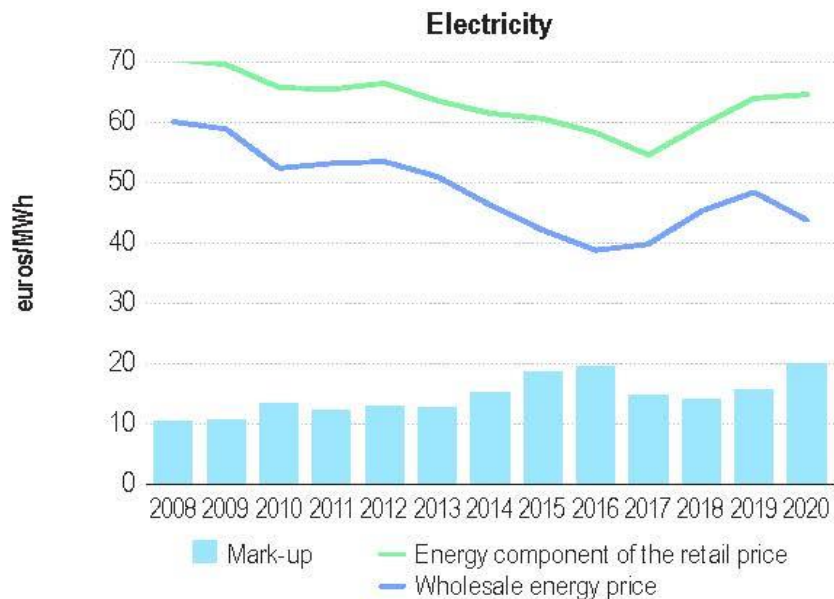


■ Energy ■ Network ■ Taxes ■ VAT

- Electricity prices **slightly decreased (-1.8%) to 21.3 euro cents/kWh in 2020 compared to 2019** due to Covid-19.
 - Prices in **2020 were the second highest price since 2008**. Compared to 2008, **electricity prices have increased approx. 30%** in nominal terms.
- Gas prices for households decreased by -2.9% to 6.8 cents/kWh.**
 - Since 2010, the average final gas price for household consumers **increased by +14.41% in nominal terms.**
 - The price evolution in 2008-2020 **was lower on average than the inflation evolution** over the same time period.
- Large variations** Germany households paid **more than three times** (30.3 euro cents/kWh) the electricity price paid by Bulgarian households (9.9 euro cents/kWh).
 - Final price paid by household gas consumers in Sweden (10.3 euro cents/kWh) was three times higher than the 3.0 euro cents/kWh paid by Latvian household gas consumers

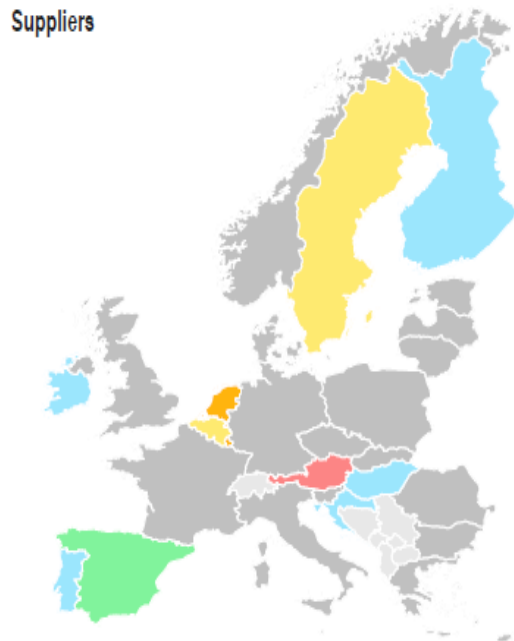


- The correlation of wholesale and retail prices has regularly weakened during periods of wholesale price decreases.
- Negative mark ups observed in Poland and Hungary in electricity
- In gas, negative mark ups are observed in Romania and Hungary



- No major changes in supplier of last resort, concepts of vulnerable consumers and safeguards in consumer protection
- Covid-19 resulted in significant reductions in disconnection rates
- Starting (slow) progress in defining and measuring energy poverty
- General welfare approaches trump energy-specific safeguards

Suppliers



- Invoicing/billing and debt collection
- Provider change/switching
- Unfair commercial practices
- Contracts and sales
- Disconnection due to late payment or nonpayment
- NRA do not register complaints separately for suppliers and DSOs

DSOs



- Invoicing/billing and debt collection
- Quality of supply
- Metering
- Connection to the grid
- Price/tariff
- Activation
- NRA do not register complaints separately for suppliers and DSOs

- Consumer complaints vary across the Member States.
- Key focus from consumers on billing, tariffs, switching.
- Improvement in data collection required as most NRAs do not differentiate between supplier and distribution system operator complaints.

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2020 Retail Markets and Consumer Protection conclusions

Jana Haasová – Co-Chair, CEER Customer & Retail
Markets WG & ACER Retail WG

- On average, **energy retail prices decreased** in 2020: The decrease was largely driven by wholesale electricity and gas price decreases caused by the significant reduction in both electricity and gas demand during the COVID-19 pandemic.
- However, there has been a **significant rebound in energy demand**, which is **resulting in significantly higher prices** for energy consumers in 2021.
- The timing and impact of wholesale price increases on consumers' bills depends on their contract for energy services (e.g. whether it is a flexible, dynamic or fixed price contract):
 - Consumers have saving opportunities available of between €200 and €300 per annum by switching: Comparison tools can help consumers find alternative suppliers.
 - NRAs should ensure that all consumers have access to and are aware of comparison tools.
 - The benefits of comparison tools have yet to be fully utilised.

- Energy efficiency will be key to protect consumers from energy price increases during the transition. MS must ensure its implementation.
- **Renewables** have become a larger part of the generation mix, accounting for more than 50% of total electricity generation in some markets.
- **European energy consumers on average had a broader supplier choice in 2020 than in 2019.**
- **Market concentration levels (HHI) in 16 out of 25 electricity markets remained high (above 2.000), indicating that consumer choice, in fact, was limited in many markets.** Non-household markets were less concentrated, but the concentration levels still show room for improvement.

- Major electrification foreseen in sectors is expected to impact both the demand and supply sides of the economy.
- The uptake of electric vehicles will increase as the transportation sector decarbonises:
 - NRAs should be cognisant of the interaction electric vehicles will have with distribution systems and consider incentivise recharging outside of peak demand periods.
- **Dynamic electricity price offers, real-time pricing and other more advanced services are still limited across the EU.**
 - Dynamic contracts/offers can bring benefits to both the consumers and they system
 - Consumers should be fully informed of the potential benefits and potential downsides to such contracts In 11 MSs, electricity consumers can choose real-time or hourly energy pricing.

- The **selling excess energy** and the existence of **aggregators** are relatively new concepts and may be complex to consumers. To ensure uptake among consumers, the process for selling excess energy and utilising aggregators should be a relatively easy process to engage with.
- A clear **bill** enables consumer understanding of their energy use. Importantly, it should not be overloaded with information.
- European energy consumers file millions of complaints to their suppliers and distribution system operators (DSOs) across the European Union each year. Data collection should be improved so issues are clearly understood.
- Data from the Energy Poverty Advisory Hub shows that energy poverty is closely linked to overall income poverty, highlighting the multi-dimensional nature of energy poverty.

- 2020 and 2021 are extreme price years, which are linked to some extent. They might teach us **three important lessons**:
 1. In extreme situations, extraordinary measures are needed to shield vulnerable parts of the population from unexpected economic impacts
 2. Careful balance to be struck between protecting vulnerable groups against dramatic price rises, whilst enabling price signals to encourage efficient consumption
 3. Dynamic price contracts can offer significant benefits for the individual customer and for the wider energy system. On the other hand, they increase consumers' exposure to wholesale price volatility, which needs to be recognised. The balance of risk placed on consumers versus suppliers should be examined.

How these findings relate to future EU policy challenges and priorities?

Adela Tesarova - Head of Unit, Consumers, Just Transition, and Local Initiatives

Anne Weidenbach – Policy Officer, Energy Efficiency

Q&A

Please submit your questions with your name and affiliation via the **chat function**.

Moderator: Jana Haasová – Co-Chair, CEER Customer & Retail Markets WG & ACER Retail WG

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Conclusions

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