



## JOINT COMMON PRINCIPLES FOR ENHANCED CONSUMER PROTECTION THIS WINTER

### WHY WE ACT

The Russian invasion of Ukraine dramatically changed the economic and social situation in Europe, with costs-of-living rising sharply in the Union also due to increasing energy prices. Unprecedented measures have been taken at EU and at national level to support consumers, with energy-specific measures and measures based on the existing consumer protection and social policy framework at Union and national levels.

There is a risk that more consumers, including those who have not been identified as vulnerable persons yet, are not able to pay their energy bills this winter. While vulnerable customers and those in energy poverty are hit the hardest by the crisis, an increasing number of low- and middle- income households are also concerned. This could eventually lead to more households finding themselves unable to pay their energy bills for the first time.

The extraordinary situation of today requires joint efforts based on joint principles to enhance the protection of all consumers during this winter. Some suppliers have supported customers in need by implementing complementary measures to the existing legal provisions. At the same time, especially untargeted support measures are very costly for the public budgets and for retailers.

The European Commission organised an “Emergency Roundtable” on 7 November 2022 to discuss with key stakeholders the existing consumer protection policies and the need for further measures. Following this Roundtable, on 21 November and on 5 December 2022, the Commission together with high level representatives of European consumer organizations, regulators, distributors and energy suppliers (BEUC, CEER, Eurelectric, Eurogas, EER, EU DSO Entity, E. DSO, CEDEC and GEODE) identified a common ground for additional voluntary consumer protection measures which go beyond the existing regulatory framework throughout this winter.

In a common effort, and supported by the European Commission, we, BEUC, CEER, Eurelectric, Eurogas, EER, EU DSO Entity, E.DSO, CEDEC and GEODE therefore encourage the implementation of some specific measures to support consumers in the energy crisis within the European Union until at least end of March 2023. Therefore, we call on our members to be take into account the following:

### GUIDING PRINCIPLES

- I. **Solidarity with all people in need:** the negative impact of the energy crisis on consumers is most acute for consumers in vulnerable situations and those suffering from energy poverty. Increasingly, however, middle-income households are also at risk of not being able to pay their energy bills. Solidarity mechanisms involving all concerned parties are needed to ensure that the increased overall cost of energy remains acceptable in relation to consumer income, while protecting the price signal to ensure energy demand reduction when possible. Public policies and the implementation of relevant legislation remain fundamental to ensure consumer protection and must be rigorously enforced, while additional solidarity mechanisms are necessary.

- II. **A holistic, but targeted approach to consumer challenges:** In the current cost of living crisis, citizens with limited financial resources often face challenges in paying their other essential bills too. In addition to their respective national consumer protection and social policy frameworks, targeted support measures by Member States taking into account the consumers' global debt profile are an important complementary measure. Under this initiative, suppliers will further step up their efforts until end March 2023 to support consumers, especially vulnerable ones<sup>1</sup> and those finding themselves unable to pay their bills for the first time.
- III. **Avoidance of excessive risks for energy suppliers:** suppliers, some of which are actively supporting customers, can further contribute to solidarity only in so far as they do not incur excessive financial risks and taking due consideration of specific additional national requirements (e.g. on bills reductions). Additionally, suppliers, especially the smallest ones, are facing serious financial distress and an increased default risk, linked to additional costs of procurement and hedging – both in price and in margin- call - to cover unexpected consumption variations in a volatile market.
- IV. **Demand reduction measures:** they should be targeted and support consumers in reducing their energy consumption for instance by remunerating consumers for reducing electricity consumption at peak times, and providing them with appropriate equipment allowing them to participate to these demand reduction schemes and uptake of energy efficiency and saving measures. When conditions allow, smart meters help provide more accurate signals to consumers and facilitate their participation in demand reduction schemes. The energy crisis has highlighted the importance of making customers aware on energy saving potential and means to achieve it as well as on the importance of competition as higher savings opportunities appear in the most competitive markets.<sup>2</sup> Widespread information campaigns and tailored guidance will also play an important role in encouraging energy savings by all consumer groups.
- V. **Ensure basic needs are met for all:** access to energy is essential. The needs of the most vulnerable consumers and those in energy poverty need to be addressed, some are already insufficiently heating their homes as they cannot afford to further reduce their energy consumption in the very short-term. In such cases, price signals are not effective and specific measures to finance energy efficiency measures are needed, as energy price spikes should not become the trigger for the weakest in society to be disconnected. Member States have a key role to play in designing adapted measures to financially support those customers. On the other hand, suppliers play an active role to advise their customers on practices to reduce their consumption and are invited to enhance and make wide promotion of such practices.

In light of these principles and inspired by good practices already rolled out in several Member States, we, BEUC, CEER, Eurelectric, Eurogas, EER, EU DSO Entity, E.DSO, CEDEC and GEODE – encourage companies, regulators and consumer organisations to promote - in the following areas with effect this winter the implementation of the following:

1. **Put in place bill deferrals using payment plans** based on clear criteria and conditions targeting, in particular, those consumers who have been disproportionately affected by high

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<sup>1</sup> According to Article 28 of the Electricity Directive *Member State shall define the concept of vulnerable customers which may refer to energy poverty and, inter alia, to the prohibition of disconnection of electricity to such customers in critical times. The concept of vulnerable customers may include income levels, the share of energy expenditure of disposable income, the energy efficiency of homes, critical dependence on electrical equipment for health reasons, age or other criteria.*

<sup>2</sup> Annual Report on Monitoring the Internal Energy Retail Markets and Customer Protection Measures in 2021, § 115-116, available: [https://www.acer.europa.eu/sites/default/files/documents/Publications/MMR\\_2021\\_Energy\\_Retail\\_Consumer\\_Protection\\_Volume.pdf](https://www.acer.europa.eu/sites/default/files/documents/Publications/MMR_2021_Energy_Retail_Consumer_Protection_Volume.pdf)

energy prices and especially those who are for the first time indebted to their supplier. Bill deferrals through payment plans could be limited to the energy component of the energy bills. Consumers seeking such support should provide a declaration of their financial situation or of their benefits entitlements to the supplier. It is important that all relevant actors, including social services, consumer associations, and suppliers provide consumers with needed support in this process.

2. **Prevent disconnection of consumers this winter.** The need for demand reductions should not push the weakest in society to disconnect. Several Member States already have a protective legal framework regarding disconnection in particular of vulnerable customers. Suppliers will<sup>3</sup> provide tailored solutions for customers based on their individual circumstances: they are encouraged to make full use of their possibilities to apply such solutions to the maximum possible extent as well as any possible alternative to disconnections until end March 2023, especially for customers facing for the first time difficulties with energy bills. As executive partners, Distribution System Operators will closely cooperate and support suppliers on the operational level. For energy poor and vulnerable customers, the role of national authorities to identify structural and urgent support measures to consumers remains essential. Support in implementing energy savings measures should also be put in place, as well as technical advice (energy audit) with the objective to help consumers improve their energy efficiency.
3. **Minimise unilateral contract changes this winter:** respect of contractual rules as well as EU and national legislation are the reference frameworks to regulate relationships between suppliers and customers. Consumers, however, especially vulnerable ones, are facing an unprecedented situation of high energy prices which put them in a situation of vulnerability, especially when being offered to change to variable price contracts. Although EU legislation allows suppliers to make contractual changes with due notice to consumers<sup>4</sup>, this practice has a huge impact, especially on vulnerable customers. For contracts still in force up to the end of March 2023, suppliers are called,<sup>5</sup> upon to avoid unilateral changes of fixed price contracts which are unfavourable to consumers, before their expiration, particularly towards vulnerable consumers and those benefiting from bill deferral schemes.
4. **Provide clear information to every consumer, to help understand the situation and have a comprehensive overview of solutions at their disposal.** Comprehensive and transparent information, including on applicable energy prices as well as how their consumption is billed and advice on how to optimise their energy use, should be provided to consumers through a variety of communication channels, beyond the final bill. It is important that governments,

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<sup>3</sup> According to Article 10(11) of the Electricity Directive: “..., suppliers shall provide household customers with adequate information on alternative measures to disconnection sufficiently in advance of any planned disconnection. Such alternative measures may refer to sources of support to avoid disconnection, prepayment systems, energy audits, energy consultancy services, alternative payment plans, debt management advice or disconnection moratoria and not constitute an extra cost to the customers facing disconnection”.

<sup>4</sup> According to Article 10(4) of the Electricity Directive: “Final customers shall be given adequate notice of any intention to modify contractual conditions and shall be informed about their right to terminate the contract when the notice is given. Suppliers shall notify their final customers, in a transparent and comprehensible manner, directly of any adjustment in the supply price and of the reasons and preconditions for the adjustment and its scope, at an appropriate time no later than two weeks, or no later than one month in the case of household customers, before the adjustment comes into effect. Member States shall ensure that final customers are free to terminate contracts if they do not accept the new contractual conditions or adjustments in the supply price notified to them by their supplier.”

<sup>5</sup> Where applicable, national law supersedes this declaration.

regulators, industry, consumer bodies and authorities, at all levels, step up their efforts to inform consumers on the crisis, their energy consumption and the support mechanisms and solutions available, undertaking massive communication campaigns to this end. Furthermore, when preparing a new contract, the consumer should receive clear information on the terms of the contract as stipulated in Article 10 of the Electricity Directive. Consumers should be informed about their rights and contact details for where they can seek support in case of difficulties with payments.

**These principles and actions agreed by the Declarants at the EU level will be shared by all parties with their national members and counterparts, where relevant in order to encourage their effective implementation.**

**Signatories will reconvene to take stock of the situation in February and April 2023 and share information with examples and best practices of implementation of those guiding principles and actions implemented.**

**As mutual inspiration a list of current good practices rolled out in Member States is in the annex, which will be updated regularly and shared among signatories and their constituencies.**

**Furthermore, Commission services will continue to engage with Member States authorities, with a view to ensuring that 'One-Stop shop' or similar facilities at national or regional level foreseen by EU legislation are set up and made fully operational to provide information to consumers to navigate the current crisis. Consumers should possibly be able to find in these facilities all the necessary information on energy efficiency and social support schemes, as well as other issues such as available debt advisory services.**

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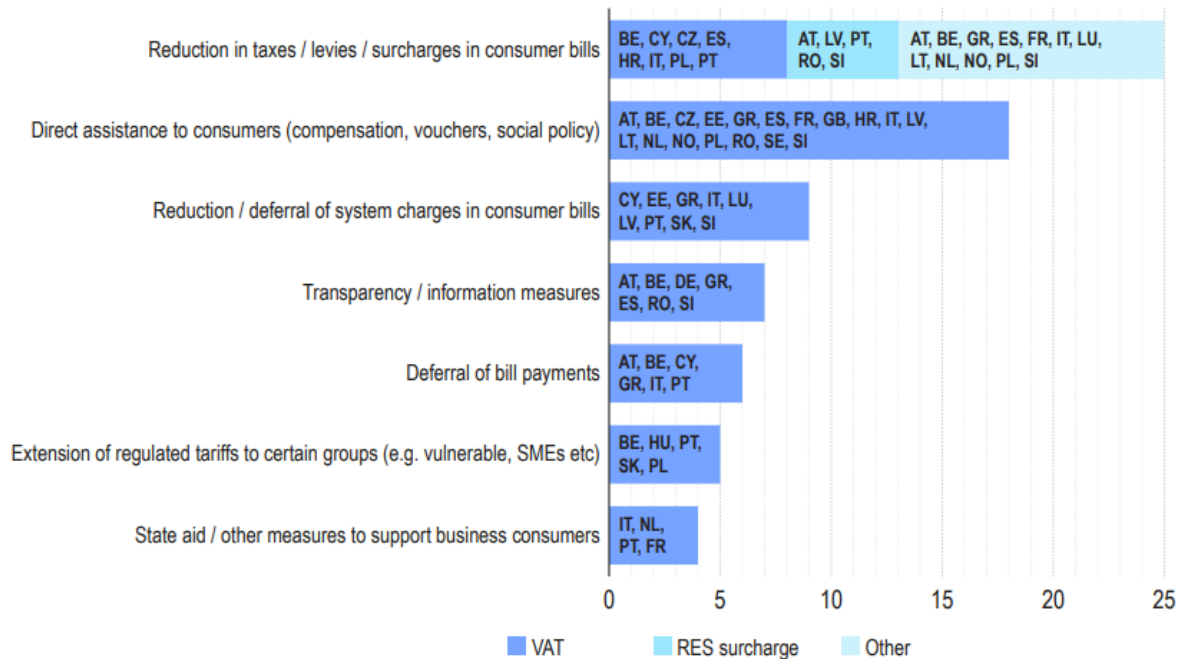
**Annex I: Examples of good practices on payment moratoria, instalment payment plans and disconnection bans collected in particular by Eurelectric and Eurogas (in current energy crisis and/under pandemic)**

Belgium	Suppliers offer many payment facilities, large bills can be paid in several parts (regularisation), the right size of instalments is emphasised (and can go until 10 times) and advice on how to save energy is widely provided. The measures put in place during COVID have enabled to react more quickly and to extend and improve our measures to help with the payment of bills.
Finland	In a warning of cutting the supply of electricity, energy companies shall guide the consumer in investigating the matter and finding payment options. Consumer advice on finding payment options could include, for example, flat-rate invoices, payment schedules for arrears and personalized advice for consumers in financial difficulties. The Electricity Market Act states that electricity sales to a building or a part of a building used as a permanent residence may not be interrupted because of default on payment between the beginning of October and the end of April, if the building is heated by electricity, before four months have elapsed since the due date of the outstanding payment.
France	By law, no disconnection is allowed for households customers during the winter break (1st November up to 31st March). During the pandemic, the “winter break” has been extended until May 31, 2020. Some suppliers may have decided to take additional measures: <ul style="list-style-type: none"> <li>○ disconnections, power reductions, and late payment penalties have been suspended until September 1, 2020.</li> <li>○ Payment terms and timelines have been relaxed for customers with payment difficulties.</li> </ul>
Ireland	As on November 1, 2022, suppliers must make customers entering on a payment plan aware of the option to extend the repayment plan to a minimum of 24 months. The customer can repay in less than 24 months if they so wish. As of 1 October 2022, where a PAYG meter or budget controller is, or will be, installed for a customer who has outstanding debt, suppliers must ensure that up to a maximum of 10% of a single customer vend can be attributed to debt recovery. This is to apply to all domestic PAYG customers. This is a reduction of 15% in the debt recovery per vend.
Germany	A new law was passed recently by the German government, requiring suppliers to offer reduced instalments by March 2023, retrospectively starting as of February 2023. Concerns for suppliers regard the short implementation time of the measure. Compensation for suppliers should happen in a timely manner, to avoid any risk of bankruptcy.
Greece	-A special account called "Energy Transition Fund" ("ETF") financed primarily by revenues from EU ETS auctions has been used to provide subsidies to all consumers. The subsidy was set at different levels depending on monthly electricity consumption to avoid incentivizing overconsumption. Moreover, there is an obligation for suppliers to provide instalments and interest free bill payment plans to vulnerable household customers. Finally, there is also a suppliers’ initiative under which they provide extended settlement options as well as educational campaigns to customers regarding energy solutions
Italy	During the current energy crisis, the “bonus sociale” for electricity and gas has been significantly enhanced. First, starting from 2022, income thresholds have been increased by 50%, so that a notably higher number of customers have been able to benefit from the financial support towards the payment of their bills. Second, starting from Q3 2021, also the amount of the support has been constantly increased to the extent that as a result, customers receiving the “bonus sociale” have been fully protected from the price increases.
Poland	The electricity supplier is obliged to introduce a support program which may include agreement on overdue and current receivables for electricity or gaseous fuels or services provided, including: <ul style="list-style-type: none"> <li>a) postponement of their payment,</li> <li>b) giving possibility to pay in installments,</li> </ul>

	c) their redemption or d) withdraw from interest for late payment;
Romania	Legislation specifically provides for the possibility for consumers to receive deferred payment of the invoice.
Slovenia	Instalment payment plans up to maximum one year in specific cases are in use; often up to six month in instalments that are agreed between supplier and customer.
Slovakia	On 01.01.2023, an amendment to the Energy Act will enter into force, which brings further changes and extensions in the field of customer protection. The change concerns, in particular, the obligation of supplier for sending multiplied warnings before the disconnection and the extension of time limits for disconnection from energy due to non-payment. During the pandemic suppliers on voluntary basis offer to customers differed payments of energy bills without disconnection, in case of difficulty.
Spain	For vulnerable customers (those with the social tariff called “Bono social”) payment deadlines are much longer than for other customers, and they have a specific disconnection framework. The general framework is that for customers below 10 kW, non-payment disconnection takes place after 2 months of the payment request. For vulnerable customers, this initial deadline is extended to 4 months. After these 4 months, if vulnerable customers do not pay, they have 6 extra months where they have limited supply (their contracted capacity is limited to 3,5 kW-this is called “suministro mínimo vital”- minimum vital energy supply); if they do not pay after these 6 extra months then they are disconnected. Severely vulnerable customers at risk of social exclusion (defined according to objective criteria that include receiving co-financing from their local Public Administrations) cannot be disconnected

## Annex 2: Examples of types of support measures provided to consumers in 2022

A range of measures have been implemented across the European Union since the beginning of the energy crisis. In some cases, certain policies were already established, while others have been implemented in response to the ongoing energy crisis. Estimates indicate that over €700 billion have been allocated thus far to protect consumers during the crisis<sup>6</sup>.



Source: ACER-CEER Market Monitoring Report (Retail and Consumer Protection volume); Bruegel, October 2022 (pg. 19)

<sup>6</sup> Source: Bruegel, <https://www.bruegel.org/dataset/national-policies-shield-consumers-rising-energy-prices>.