

2020 vision for Europe's energy customers

A discussion paper

Ref: C12-SC-02-04
24 April 2012

INFORMATION PAGE

If you have any queries relating to this paper please contact:

Ms Natalie McCoy

Tel. +32 (0)2 788 73 35

Email: natalie.mccoy@ceer.eu

Table of Contents

EXECUTIVE SUMMARY	4
1 ENERGY REGULATORS MUST PROTECT AND EMPOWER CUSTOMERS – TODAY AND TOMORROW	5
2 BUILDING A 2020 VISION FOR CUSTOMERS – WORKING TOGETHER IS KEY	6
3 WHO ARE THE CUSTOMERS?	7
4 WHY 2020 FOR THE VISION?	8
5 THE KEY PRINCIPLES: AFFORDABILITY, RELIABILITY, SIMPLICITY, PROTECTION AND EMPOWERMENT	9
6 QUESTIONS TO BE DISCUSSED AT THE JUNE CONFERENCE	12
ANNEX 1 – CEER	13
ANNEX 2 – LIST OF ABBREVIATIONS	14

EXECUTIVE SUMMARY

The legal basis is there

The Third Energy Legislative Package gives national regulatory authorities (NRAs) significant responsibilities for protecting and empowering customers, whilst EU legislation provides a series of tools with the objective of facilitating choice, fair prices and the protection of customers participating in energy markets. The years to 2020 will bring many challenges including the achievement of the EU's environmental targets for that year.

Interactive conference to develop ideas for discussion at 2012 London Forum

The Council of European Energy Regulators (CEER) now launches the first stage of its process which will confront and overcome the many challenges that customers face now and in the future. That process begins with an interactive conference on Thursday, 21 June 2012 shortly after the European Commission's Consumer Agenda Summit on 29 May (the provisional agenda of the CEER event is available at www.energy-regulators.eu). The conference will involve consumers, industry and institutional representatives, who will consider CEER's initial thinking. A formal strategy document and work programme with concrete actions will be presented at the Citizens' Energy Forum in November 2012 in London.

An annual review

CEER will then organise initial reviews in 2013 and 2014 at the annual Forum to monitor and review progress towards the 2020 strategic objective. Thereafter, as part of its vision to 2020, CEER will continue actively to assess the progress made and future policy actions in the light of future developments.

Questions for the conference

To stimulate contributions in the interactive conference (21 June 2012), this paper provides as a basis for discussion some preliminary answers to a series of questions:

- What do customers want from the energy market – and what are their priorities?
- What are the future changes – challenges and opportunities – that customers will face?
- How should these be addressed? What good and bad practices already exist in your region that can be shared? Do you have novel ideas on how to address these issues going forward?
- Are the concrete actions we envisage adequate to facilitate discussion and awareness of the development of EU energy policy? What other initiatives could be helpful?

Focus on 4 key areas

Of course, we are not attempting to answer these questions without previous analysis and on the basis of earlier work, we have identified four key areas on which to focus. They are:

- Affordability
- Reliability
- Simplicity
- Protection and empowerment

Seeking broad support at the London Forum

Discussions around these questions will help us to refine our thinking which will then be incorporated into a more comprehensive document for the Forum on 13-14 November 2012 where broad support from participants will be sought. In addition to these discussions, the present paper also offers the opportunity for those unable to attend that event to provide written observations.

The deadline for comments is mid-July and these can be sent to consumers@ceer.eu.

1 Energy Regulators must protect and empower customers – today and tomorrow

CEER's role

European legislation on electricity and gas seeks to deliver real choice for all energy customers, *“so as to achieve efficiency gains, competitive prices, and higher standards of service, and to contribute to security of supply and sustainability.”*¹ EU laws provide a series of tools aimed at facilitating choice, fair prices, protection and the possibility of customers to participate in the energy markets. National Energy Regulatory Authorities (NRAs) have been given significant responsibilities for protecting and empowering customers and, if necessary, enforcement. Additionally, customers should be able to benefit from competition and fair prices, whilst at the same time being assured of their rights of access to choice, fairness, representation and dispute settlement mechanisms. Collectively at European level, and nationally in our daily work, a fundamental issue for regulators has been how best to guarantee customer rights, including vulnerable customers. Regulators' duties encompass electricity and gas (as well as district heating in some countries). NRAs act in the public interest and see themselves as championing the customer.

The Council of European Energy Regulators (CEER) represents the national regulators at European level and is committed to placing customers at the very centre of its approach to energy policy. We aim to deepen continually our understanding of customers' needs and to look into the future to foresee new or changed needs or conditions for customers and service providers. We are also committed to promoting an open dialogue between all parties on these issues and we are seeking concrete actions for the future.

In practical terms, we are now launching a process to build a 2020 vision for Europe's energy customers. To do that well, we need to work together with customers and with their representative associations across Europe.

Peoples' need for warmth, light and power are a fundamental part of our society. Similarly, businesses cannot produce or offer products or services without energy.

¹ Directive 2009/72/EC and Directive 2009/73/EC, part of a suite of 5 legislative acts collectively referred to as the “Third Package” on energy liberalisation.
http://ec.europa.eu/energy/gas_electricity/legislation/third_legislative_package_en.htm

2 Building a 2020 vision for customers – working together is key

*Your
views
matter...*

This discussion paper is a first step towards a 2020 vision. CEER will reach out and work with others to better understand the needs of energy customers. We are keen to learn and share our knowledge of these complex markets with others who also work to protect and empower customers.

Within the framework of the vision for Europe's energy customers, we will explore with consumer representative bodies concrete actions to help deepen our understanding of customers' priorities and to facilitate the engagement of customer bodies in the energy policy discussions at EU level.

Going forward, and not solely within the scope of the vision, we plan to disseminate more effectively the work of CEER through customer-friendly, easily digestible booklets or factsheets. We also hope to work more closely with customer organisations to help them engage with both retail and wholesale energy issues. CEER is a well-established organisation and could look for opportunities to enhance the capability of customer organisations to engage in energy issues.

On the basis of our previous work to protect and empower customers, we have defined four principles: a) affordability; b) reliability; c) simplicity; and d) protection and empowerment. These principles could represent a scope of customers' interests and therefore of our future work. We want to develop and refine these areas, working closely with customer bodies. The EU institutions, industry players and all levels of government are clearly important participants to this process, but we shall emphasise, to a greater extent than to date, an approach that is bottom-up (whereby we, the regulators, listen to customers) rather than a top-down one.

*...and the
key
questions?*

As part of this process we want to identify what customers want, which are their priorities, which are the future challenges and how they are best addressed.

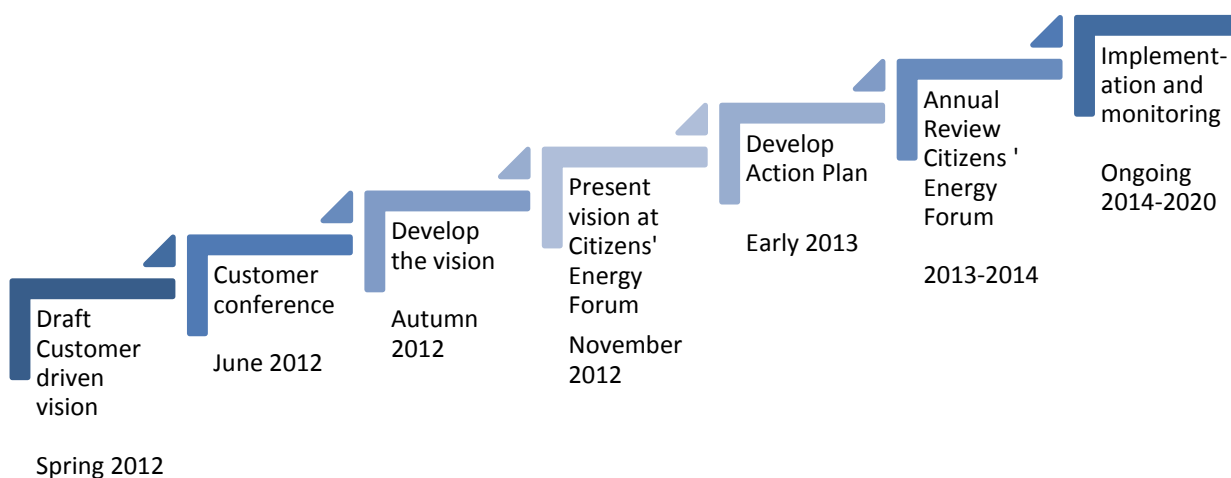
Our process envisages an **interactive conference** on Thursday 21 June 2012, in cooperation with the European Commission (EC) and in the wake of the EC's Consumer Agenda Summit on 29 May and during the EU's Sustainable Energy Week. The conference will involve consumers, industry and institutional representatives and will consider CEER's initial thinking through a series of questions. In the light of this feedback, we shall develop the vision to present a final draft at the November 2012 Citizens' Energy Forum in London². We consider the Forum to be of central importance to hear the views of Europe's customers in order to help in improving our awareness of their views and needs so as to improve policy formulation to the benefit of customers. It is a key event to shape and share our work and we hope that the

² The Citizens' Energy Forum is an annual gathering hosted by the European Commission, which brings together representatives from governments, regulators, customer bodies and the energy industry to discuss the best ways of achieving competitive, energy efficient and fair retail markets for customers.

http://ec.europa.eu/energy/gas_electricity/forum_citizen_energy_en.htm

participating organisations and institutions will commit to engage in collective efforts so as to make the vision a reality.

Once the vision has been agreed, CEER will establish an **action plan** to achieve that vision. Maintaining a continuous dialogue between customer bodies, regulators, industry and policy makers will be key to translating the vision into reality. A steering group between the main actors with regular meetings could be useful for ensuring continuity. The Citizens' Energy Forum acts as a focal point to share our work and plan future work. The timeline for our work can be shown like this:



3 Who are the customers?

Which customers?

For the purposes of the vision, customers are defined as the European retail customers of electricity, gas and district heating, as well as those that both generate and consume electricity. Customers can be a household customer or a small enterprise³. We are focusing in particular on very small businesses, who are in many ways similar to household customers in their engagement with energy markets. Large energy customers are not considered in this initiative. For the first time, CEER will now include district heating in our customer perspective.

³ Small enterprises are enterprises with fewer than 50 occupied persons and annual turnover or balance sheet not exceeding EUR 10 million, Directive 2009/72/EC, Art. 3 par. 3 and Directive 2009/73/EC

4 Why 2020 for the vision?

*Why the
2020
horizon?*

CEER has chosen 2020 as the target year for the vision to become reality. While we recognise the need to continue to protect and empower customers now, at the same time there are changes which need to be planned for and carefully reviewed to ensure they are fit for customers in the future.

Some of the major changes on the horizon are:

- The European 20-20-20 goals for climate change, renewables and energy efficiency set by European heads of state, where “empowering consumers and achieving the highest level of safety and security” is one of five priorities.⁴
- The partial or complete implementation of smart metering systems for electricity should be fulfilled by 2020 (as required by European energy legislation and provided a cost benefit analysis does not show negative results). This is closely linked to the development of smart grids with their major investment requirements and to IT (information technology) innovations – with more and more e-services and tools emerging.
- A massive scale of investments will be needed in the years to come (e.g. for transmission infrastructure, smart meters as well as for generation and other parts of our energy supply) – not only to meet our climate change and renewables objectives, but also to replace ageing power lines and pipelines and to ensure the energy we need is transported far and wide. This challenge will have consequences on energy prices, with much of the investments financed (as is already the case) by European customers, who ultimately benefit from a cleaner, smarter and reliable energy supply.
- Europe's heads of state have agreed to reach a single energy wholesale market by 2014. The rules of this internal wholesale market are being designed now and should lead to properly functioning wholesale markets across the EU. Competitive, open and linked up wholesale energy markets between and across European countries should facilitate the provision of reliable and affordable energy to our homes. Wholesale markets link retail markets to the end-customer, with the trading and prices at wholesale level setting the tone for the suppliers (and their offers) available to customers at retail level. Retail markets should provide a choice of commercial offers at affordable, fair and transparent prices which includes sufficient information for the customer about the price indexation mechanisms, a satisfactory quality of the supply of energy, customer protection and retail markets should also enable innovative services.

*Big wins
for
customers*

As we consider these changes, we need to be mindful that, for the most part, customer engagement with the energy market is low. The recent results from the European Commission's Consumer Market Scoreboard⁵ show that the electricity and fuels markets have deteriorated most significantly between 2010 and 2011 in customers' view when compared to different markets/sectors. The European

⁴ http://ec.europa.eu/energy/gas_electricity/consumer/consumer_en.htm

⁵ http://ec.europa.eu/consumers/consumer_research/editions/cms6_en.htm

Commission's retail electricity study⁶ from 2010 stated that "EU consumers could save €13 billion by switching to the cheapest electricity providers. Nonetheless, very few consumers compare offers or switch".

CEER's commitment is to engage far more actively in securing the views of customers and their representative bodies on what customers want and expect so that they can have trust in a market that will meet their needs. This commitment extends to CEER exploring ways to help build capacity and expertise in energy issues within consumer organisations. Conversely, suppliers and energy service providers should retain these considerations uppermost in their strategies, as they develop new and innovative tariffs and services. In order to facilitate the dialogue therefore, our vision will be developed into a number of quite specific actions for regulators, customer bodies and policy makers as they engage in energy customer issues.

5 The key principles: Affordability, reliability, simplicity, protection and empowerment

The decisions we take today on rules and conditions in the energy markets will affect how markets operate, and therefore have an impact on customers, for years to come. Therefore, understanding what energy customers want and how we all, as customers, behave is fundamental to designing Europe's energy markets. One important aspect to bear in mind is that customers are not a homogenous group – we have different needs, attitudes and behaviours; and there are vulnerable customers who need special protection. CEER has been working on customer-related issues for several years and has a special group dedicated to customers from which a large amount of public workshops and reports have been issued⁷.

Generally speaking, it is our experience that the customers expect *affordable* energy, *reliable* energy and for it to be *simple* to manage and understand. Customers also expect to be *empowered* and *protected*. We assume that these expectations will probably be relevant also in the future, even though the context will somewhat differ.

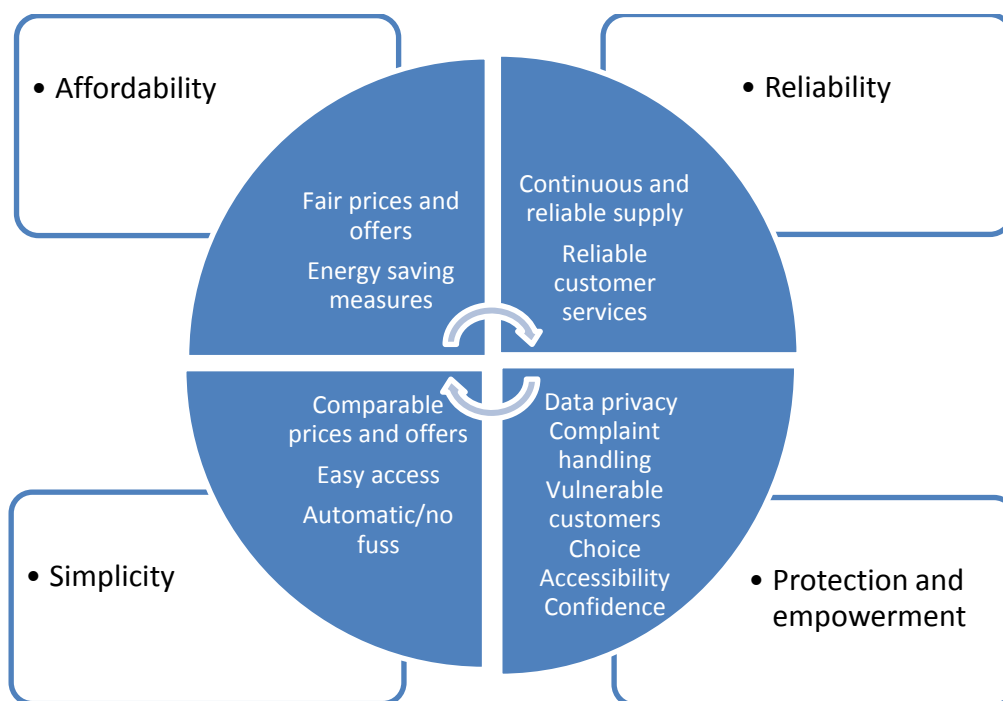
The figure below sets out our preliminary view of the priorities in the light of the customer expectations we have identified.

Our
priorities

⁶ http://ec.europa.eu/consumers/strategy/docs/retail_electricity_full_study_en.pdf

⁷ For access to all our customer reports visit:

http://www.energy-regulators.eu/portal/page/portal/EER_HOME/EER_PUBLICATIONS/CEER_PAPERS/Customers



Each of these policy axes is introduced below.

Affordability

Affordability

Customers reasonably expect to get value for money and not to be charged unfairly for the use of energy. Being able to choose from good offers, including the possibility to produce their own electricity, and to understand how to save energy are basic elements for efforts to end up with a lower energy bill.

The long term trend is for energy prices to increase, that is why it is all the more important for the reasons behind the prices to be clear and fair to all. Regulators recognise that they are primarily competent for ensuring the proper functioning of energy markets and for regulating the “natural monopoly” element of the overall energy value chain, namely the transmission and distribution network tariffs. However, these elements constitute only a portion of the final prices paid by customers, while other elements are subject to various government policies such as taxation and renewable energy support.

Reliability

Reliability

The availability of energy at the flick of a switch or the turn of a radiator dial is taken for granted in many homes, but in some areas there are homes where a reliable supply of energy is by no means certain. In principle, customers should not have to contemplate interruptions of supply. Instead they should be assured of energy at any moment of the day or night.

The customer services that are offered should be reliable, be it related to billing, advice on how to save energy or the time taken to answer a customer's phone call.

*A simple,
easy
engagement*

Simplicity

Information must be presented in a clear and comparable way and it should also be easy for customers to have access to this information.

Too often, understanding information on energy, such as bills and costs, presents customers with major challenges. With new contract options emerging as a result of competition and technological innovations, regulators are conscious of the importance of making this easy and simple. Customers should be able to monitor their consumption and be informed of their consumption habits (and costs). Looking forward, it should be easy to produce their own power, as well as take part in programmes for self-monitoring or customised energy use.

*Customers
should be
empowered
and
protected*

Protection and empowerment

Customer rights must be guaranteed and delivered, and markets also need to be designed in such a way that customers who so wish can become engaged and can participate actively to control their consumption and influence their bills. With more data being collected and transmitted electronically as IT leads to new retail market services and price offers, customers should have confidence that their consumption data is kept private and secure. In terms of protection, a right of access to information, dispute settlement and proper complaint handling, already required by EU legislation, needs to be guaranteed.

The needs of all customers, especially vulnerable customers, must be taken into account. These needs may well differ not only in basic terms but increasingly in the future, with more complicated options and services.

6 Questions to be discussed at the June conference

*Why an
interactive
conference?*

Current challenges are centred on getting the basics right. With other stakeholders across the European Union, CEER is seeking to improve significantly the basic customer rights, including switching and access to information. We recognise that customer engagement with the market is low, while we respect that many people may not want to engage actively in their energy supply.

Future challenges must be managed in a period of change. In the near future, there will be a great deal of change in the energy markets. For customers, this will have many impacts: increasing energy prices, increasing choice of new and innovative products and services to make people's lives easier, increasing electrification of society, development of a low carbon energy sector and emerging possibilities of micro generation and new energy efficiency patterns.

Innovative technology will result in new products that can support customers in managing their energy and reducing their bills, provided they understand their potential and the way to make full and effective use of them.

The approach CEER is now launching requires a fuller understanding of what consumers and their representative bodies think about the challenges ahead. During the 21 June event, we want to discuss with the bodies representing customers what customers want from the energy market, how we can protect them and how to prepare to manage future changes in their interests. The event will be an opportunity for national customer bodies themselves to tell their story of the principal concerns today; to look at future challenges and opportunities and to brainstorm on the core principles of this vision paper. We anticipate seeking discussion around the following questions:

*Setting the
agenda –
the key
questions*

- What do customers want from the energy market – and what are their priorities?
- What are the future changes – challenges and opportunities – that customers will face?
- How should these be addressed? What good and bad practices already exist in your region that can be shared? Do you have novel ideas on how to address these issues going forward?
- Are the concrete actions we envisage adequate to facilitate discussion and awareness of the development of EU energy policy? What other initiatives could be helpful?

A provisional programme is available on our website: www.energy-regulators.eu.

Annex 1 – CEER

The Council of European Energy Regulators (CEER) is the voice of Europe's national regulators of electricity and gas at EU and international level. Through CEER, a not-for-profit association, the national regulators cooperate and exchange best practice. A key objective of CEER is to facilitate the creation of a single, competitive, efficient and sustainable EU internal energy market that works in the public interest.

CEER works closely with (and supports) the [Agency for the Cooperation of Energy Regulators \(ACER\)](#). ACER, which has its seat in Ljubljana, is an EU Agency with its own staff and resources. CEER, based in Brussels, deals with many complementary (and not overlapping) issues to ACER's work such as international issues, smart grids, sustainability and customer issues.

The work of CEER is structured according to a number of working groups and task forces, composed of staff members of the national energy regulatory authorities, and supported by the CEER Secretariat.

This report was prepared by the Strategy & Communication Workstream (SC WS) of CEER's Customer and Retail Markets Working Group (CRM WG).

Annex 2 – List of abbreviations

Term	Definition
CEER	Council of European Energy Regulators
EC	European Commission
EU	European Union
NRA	National Regulatory Authority
TBC	To be confirmed