

Supplier Switching in Electricity and Gas Retail Markets

Sharing experiences and good practices

Workshop for consumer organisations, European Commission officials, DSOs, meter-operators, suppliers, and energy regulators

23 September 2008 from 8:30 to 16:00

Commission de régulation de l'énergie (CRE)

2 rue du Quatre Septembre – 75002 Paris – France

8.30 – 9.00	Welcome and registration
9.00 – 10.00	Opening
<i>9.00 – 9.10</i>	<i>- Opening address by Ms. Patricia de-Suzzoni , Chair, ERGEG Customer Focus Group</i>
<i>9.10 – 9.20</i>	<i>- Objective of the Workshop, organisation of the day - Opening address by Ms. Gunn Oland, Chair of ERGEG Retail Marketing Functioning Task Force</i>
9.20 – 10.00	The interests of European energy consumers
	<ul style="list-style-type: none"> - Presentation by BEUC The European Consumers Organisation, <i>Mr. Levi Nietvelt</i> - Presentation by the Norwegian Consumer Council, <i>Ms. Linette Heiberg</i>
10.00 – 10.20	Break
10.20 – 12.00	ERGEG Guidelines of Good Practice and Status Review,
	<ul style="list-style-type: none"> - Supplier switching in the electricity retail market, <i>Mr. Sebastian Gras, BNetzA, Germany</i> - Supplier switching in the gas retail market, plus a focus on French gas retail market, <i>Ms. Nicole Suon, CRE, France</i> <p>Case studies on several national situations: Austria, France, Romania, Spain and Sweden, Ms. Sara Sundberg, EI, Sweden</p>
12.00 – 13.00	Lunch Break
13.00 – 13.40	How to establish an efficient end-user market? The industry's work on reducing the obstacles for supplier switching
	<ul style="list-style-type: none"> - Presentation by Eurelectric, <i>Mr. Peter Sandøy, Chair of Eurelectric Working Group Retail Markets</i> - Presentation by Eurogas, <i>Mr. David Johnson, Chair of Eurogas Supply and Markets Development Committee</i>
13.45-15.00	Three separate group discussions
	<ul style="list-style-type: none"> - moderated by National Regulatory Authorities
15.15 – 15.45	Summary in plenum
15.45 – 16.00	<i>- Closing address by Ms. Patricia de-Suzzoni , Chair, ERGEG Customer Focus Group</i>

Status Review - Supplier Switching Process - Electricity and Gas markets

Five case studies

ERGEG Ref: E08-RMF-10-04

This report has been prepared by the ERGEG Retail Market Functioning Task Force within the ERGEG Customer Focus Group.

Executive summary

All consumers in the EU have the right to choose their supplier since the 1st July 2007, both in the electricity and gas markets. ERGEG has agreed on guidelines for good practice (GGP) for the supplier switching process in order to facilitate well-functioning retail markets. In its GGP, ERGEG identified two strategic priorities for the supplier switching process. These are (1) promote easy, cost efficient and standardised switching and activating/deactivating procedure and (2) ensure customer confidence and sound monitoring systems.

This report monitors the transposition of supplier switching BPPs in the electricity and gas retail markets. The report is based on five case studies. Five countries where improvement of the supplier switching process has recently been implemented or is underway have been identified as case studies, namely Austria (electricity and gas), France (electricity and gas), Romania (electricity and gas), Spain (electricity) and Sweden (electricity)..

The supplier switching process is legally binding in all case study countries except in Spain where only key points of the process have been included in the legislation. A standardised supplier switching process is applied in all the case study countries. However, in Romania the process is not yet applied for household customers.

The customer should only need to be in direct contact with one party, preferably the new supplier, when initiating a switch. This is the case in most case study countries. In Romania, the customers might also have to contact the current supplier.

The amount of information needed to switch supplier varies in the countries. In Austria, name and address is sufficient, if the facility can be clearly identified with this information. In Spain, more data is needed to be able to switch supplier. The required information in Spain is name, address, customer ID, metering point ID, contract code, contract type and characteristics and owner of the control and metering device.

The duration of the switching process varies between 15 days to two months in the electricity market and between 15 and 75 days in the natural gas market. Austria and France have the same duration for the switching process in both the electricity market and gas market. In Romania, however, the duration of the switching process is longer in the gas market than in the electricity market. Restrictions regarding the dates when a switch can take place are found in Austria and Sweden, where a switch can only be carried out on the 1st of each month. The other case study countries have no restrictions regarding when the switch can take place.

Regulated prices are found in France, Spain and Romania. It is possible for the customer to return to the regulated market in the French and Spanish electricity markets and in the Romanian electricity and gas markets. However, in the Romanian electricity market there is a restriction and the customer can only return to the regulated market twice. In the French gas market, customers in the free market cannot switch back to regulated tariffs.

The supplier switching processes in the electricity and the gas markets in the case study countries are comparable. However, some minor differences regarding supplier switching between the electricity and the gas markets can be observed.

Obstacles to switching in the gas retail market

Guidelines of Good Practice and Status Review

ERGEG Ref: E06-CSW-05-03
18-APR-2007

This report has been prepared by the ERGEG Customer Switching Task Force within the ERGEG Customer Focus Group.

Executive summary

The status review confirms that the switching rate in the gas retail market is still low in most EC countries. This is in spite of the fact that a lot of substantial measures have already been taken to enhance it, including those measures that were derived from the best practice propositions launched by ERGEG in July 2006 concerning “Supplier Switching Process”¹, “Transparency of Prices”² and “Customer Protection”³.

New additional recommendations, in the form of Guidelines of Good Practice, regarding common practical rules for market opening, customer information, supplier information, switching process and liquidity of gas wholesale markets are identified for enhancing supplier switching.

Common practical rules for market opening

- Regulators should address the aspects of the relationship between DSOs’, suppliers and customers, including rules, responsibilities, contractual arrangements, data exchange agreements, commitments to customers, quality guarantees, etc. This includes efficient balancing systems and customer profiling.
- Regulators should enhance customer protection through good information and clear procedures vis-à-vis possibly aggressive commercial practices or mistakes.

Customer information

- The customers understanding of the reasons for gas price changes should be improved. Present concerns about gas price increases show that consumers have no clear understanding of price change mechanisms, especially when

¹ Ref nr. E05-CFG-03-05, available from the ERGEG website at:
http://www.ergereg.org/portal/page/portal/ERGEG_HOME/ERGEG_DOCS/ERGEG_DOCUMENTS_NEW/CUSTOMER_FOCUS_GROUP/E05-CFG-03-05.pdf

² Ref nr. E05-CFG-03-04, available from the ERGEG website at:
http://www.ergereg.org/portal/page/portal/ERGEG_HOME/ERGEG_DOCS/ERGEG_DOCUMENTS_NEW/CUSTOMER_FOCUS_GROUP/E05-CFG-03-04.pdf

³ Ref nr. E05-CFG-03-06, available from the ERGEG website at:
http://www.ergereg.org/portal/page/portal/ERGEG_HOME/ERGEG_DOCS/ERGEG_DOCUMENTS_NEW/CUSTOMER_FOCUS_GROUP/E05-CFG-03-06.pdf

announcements of high suppliers' benefits come along with price rises. This implies a surveillance duty for the regulators or any other relevant public body, since a lack of transparency regarding prices can damage the confidence that customers may have in the market.

Supplier information

- Non discriminatory access to a list of existing and new connections for all suppliers.

Switching Process

- The entity responsible for meter values must improve and, if possible automate access to past and present consumption data of their customers.
- A unique and stable Delivery Point Identification Number should be the key on which every exchange should be based on. This requires the availability of this identification number both on the invoices that customers receive from their supplier and on the meter.

According to the 2007 Work Programme published by the European Energy Regulators the present Guidelines would undergo public consultation. Nevertheless, upon conclusion of this report the Regulators understand that these Guidelines provide additional recommendations to the above mentioned Best Practice Propositions (see footnotes 1, 2, and 3) that already underwent public consultation in 2006.

In this sense, the present Guidelines are building upon already identified issues by Regulators and Stakeholders during the 2006 public consultations and therefore do not warrant the commitment of additional time and effort.

Obstacles to supplier switching in the electricity retail market

Guidelines of Good Practice and Status Review

**EREG Ref: E08-RMF-06-03
10-APR-2008**

This report has been prepared by the ERGEG Retail Market Functioning Task Force within the ERGEG Customer Focus Group.

Executive summary

All consumers in the EU have the right to choose their supplier since the 1 July 2007, both in the electricity and gas markets. This affects the EU Member States in different ways; some countries have had a free electricity market for years while others may be implementing this for the first time and have not yet organised meter operations and meter values. This report focuses on the obstacles for switching one's electricity supplier. Reducing such obstacles is one of the single most important issues for achieving a well-functioning end-user market.

That being said, there are other crucial prerequisites which must be in place in order to achieve a well-functioning electricity retail market; namely a well-functioning wholesale market and restricted or no use of price regulation.

The switching process may be divided into three stages:

1. Information gathering

In the first stage, the customer searches for information on prices, products, contracts and suppliers. The customer also checks out the contract conditions with the present supplier and collects data that is required to perform the switch of supplier.

2. The supplier switching procedure

The second stage lasts from when the customer signs a new contract and the customer or the new supplier have collected all the required data until the agreed date where the switch is going to take place. Meter reading should be registered on the switching day itself by automatic meter reading, but can also be handled in different ways by manual meter reading. The second stage can be referred to as the theoretical duration of the switch.

3. Execution of the switch, delay or cancellation

The third stage takes into account the cases where there is an error, a delay or maybe the cancellation of the switch by the customer or the DSO, thereby prolonging the real duration of the switch. The third stage ends when the customer receives a confirmation letter from the new supplier and/or the first bill and additionally when the account with the former supplier has been settled.

Guidelines of Good Practice

In this report, we offer some Guidelines of Good Practice taking into account regulators' varying degrees of influence over the 3 stages: 1) regulators have significant influence; 2) regulators control the regulation involved and 3) regulators have less influence. However, as the customer experiences all 3 stages, these guidelines cover the full process.

It is important to ensure all consumers have easy access to information on the switching procedure, supply prices and products. To make the first stage more efficient and convenient for the customer, we recommend that each of the national regulatory agencies (NRAs) requires the creation of a website providing information of suppliers, products, prices etc. The regulators must also supervise this website to ensure it is maintained and updated in a dynamic market. Also relevant customer information, like metering point identification, etc., must be made easily available to the customer and/or supplier.

Switching should be quick and easy for the customer. Regarding the second stage, we strongly recommend that regulators try to achieve a duration of less than one month with an absolute requirement of no more than two months. Within a few years it should probably be limited to maximum 14 days. The regulators must also have requirements for standardised switching procedures and standardised exchanges of data between the DSO and new and old suppliers. The balancing settlement⁴ should be organised in such a way that it supports continuously supplier switching and does not restrict it to e.g. the first day of the month.

Status review

The duration of the switching process differs significantly between EU countries. In July 2007, we sent out a questionnaire to NRAs asking, among other things, for both the theoretical and typical duration of stage 2. Of 28 regulators approached, 16 responded to the questionnaire. Half of the respondents indicated a switching process of less than one month while the rest indicated 1-2 months. The typical duration of the switching process (stage 2) is about two months for many. Only three respondents reported that they are not satisfied with the current process and data exchanges, but nevertheless 10 regulators stated that improvement of the process is underway.

⁴ Balancing settlement refers to the market mechanism for charging or compensating market players for their individual imbalances between electricity supplied (sales and own consumption) and electricity procured (purchases and own generation).