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Annual Report on the Results of Monitoring the Internal Electricity and Natural Gas Markets in 2017

Consumer Empowerment Volume

October 2018



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ACER/CEER

Annual Report on the Results of Monitoring the Internal Electricity and Natural Gas Markets in 2017

Consumer Empowerment Volume

October 2018



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Executive Summary

This summary gives the key insights on consumer protection and empowerment aspects. It should be noted that the situation is very similar to last year's overview.

Public service obligations and vulnerable consumers

- 1 The Electricity Directive¹ foresees that suppliers of last resort (SOLR) may be appointed by Member States (MSs) to ensure the provision of a universal service of electricity connection and supply. While the Gas Directive² does not explicitly foresee universal service, it nonetheless promotes a supply of last resort mechanism for gas consumers. In practice all MSs have a form of SOLR for both electricity and gas supply.
- 2 The SOLR is generally used not only as a mechanism to replace failing suppliers, but often performs other functions as well, including protecting inactive consumers or those with payment difficulties. Hence, while in some MSs very few consumers are supplied by an SOLR, in other MSs very large proportions of consumers are supplied by a SOLR. This raises the question of why so many household consumers either remain inactive or need protection. As such the SOLR mechanism may unduly foster consumer inactivity. However, cases of a SOLR appointment in case of a supplier failure are rare in the EU.
- 3 In many MSs, the SOLR has to follow a pre-defined framework when setting the last-resort price. Less common approaches are direct tariff determination by the National Regulatory Authority (NRA) or that the SOLR can set the price without any restriction. The data shows that the cost to consumers of being supplied by a SOLR is the same or higher than what they used to pay before being served by a SOLR. This implies that supply through the SOLR should be of minimum duration and consumers should migrate quickly to a regular supplier.
- 4 Energy consumers usually have several weeks to settle any arrears before being disconnected. While this period helps many consumers, some still get disconnected. Consumers cannot be disconnected at will. The legal minimum length for a disconnection due to non-payment is between three weeks and two months in the different MSs. In practice, disconnection rates for electricity or gas rarely exceed one percent; however, in a few MSs they reach up to 4%. Compared to 2016, disconnection rates tend to be rather stable.
- 5 From the limited data reported by MSs, it appears that energy poverty is a critical issue in several MSs. In some MSs the percentage of energy poor for both gas and electricity was around 10% in 2017. Most MSs have specific measures of different nature in place (e.g. restrictions to disconnection, special energy prices or welfare allocations) to protect vulnerable consumers.

Consumer information rights

- 6 Consumer engagement requires consumers having easy access to relevant information. MSs have introduced various provisions which deal with the obligation to provide information to consumers – such as information related to changes in prices, information to be included in bills, information on actual consumption and cost, and information on the single point of contact.
- 7 The Third Package³ also highlights that MSs must have a single point of contact where consumers can obtain independent information about energy markets and their rights. In more than 20 MSs, this role is reserved to the NRA. In the remaining MSs, an Ombudsman or a consumer organisation is usually awarded this responsibility.

1 Directive 2009/72/EC of the European Parliament and of the Council of 13 July 2009 concerning common rules for the internal market in electricity and repealing Directive 2003/54/EC. <https://eur-lex.europa.eu/legal-content/en/ALL/?uri=celex%3A32009L0072>.

2 Directive 2009/73/EC of the European Parliament and of the Council of 13 July 2009 concerning common rules for the internal market in natural gas and repealing Directive 2003/55/EC <https://eur-lex.europa.eu/legal-content/en/ALL/?uri=CELEX%3A32009L0073>.

3 The Third Energy Package consists of two Directives and three Regulations: the Electricity and Gas Directives, Regulation (EC) No 714/2009 on conditions for access to the network for cross-border exchanges in electricity and repealing Regulation (EC) No 1228/2003, Regulation (EC) No 715/2009 on conditions for access to the natural gas transmission networks and repealing Regulation (EC) No 1775/2005, and Regulation (EC) No 713/2009 of the European Parliament and of the Council of 13 July 2009 establishing an Agency for the Cooperation of Energy Regulators.

- 8 On average, information on bills consists of very many distinct categories. However, this varies widely among MSs for both electricity and gas bills. This goes beyond what is prescribed by the Energy Efficiency Directive (EED)⁴, which stipulates that energy bills should contain information on actual prices, energy consumption, and comparisons of current and previous consumption, as well as contact information of organisations where consumers can find information on energy efficiency. Too much information on energy bills may lead to consumers losing oversight. Hence, there seems to be a fine balance to tread between informing consumers adequately and the number of communication channels that could be used.
- 9 MSs are required to ensure that, where individual meters are available, individual bills based on actual consumption should be provided at least once a year. In 17 MSs, electricity consumers typically receive their bills either quarterly, bimonthly or monthly. In 8 MSs, electricity consumers are billed annually. Where smart metering is available, consumers should receive monthly bills based on actual consumption.

Smart metering

- 10 According to the Electricity Directive, MSs should roll-out electricity smart meters to 80% of consumers by 2020, unless the result of a cost-benefit analysis is negative. The analysis presented in this Volume shows that 2 more MSs (Estonia and Spain) completed roll-out in 2017. This means that the roll-out of smart meters by the end of 2017 had reached more than 50 percent of the household customers in 9 MSs. In contrast, the roll-out of gas smart meters is still limited, with only 5 MSs (FR, GB, IT, LU and NL) having commenced.
- 11 To ensure benefits to household consumers, minimal technical and other requirements for smart meters are defined in national legislation in 19 MSs in the case of electricity and in 6 MSs in the case of gas. Many of these MSs require that smart meters provide information on actual consumption, make billing based on actual consumption possible, and ensure easy access to information for household consumers.
- 12 According to the Electricity Directive, all consumers should be able to benefit from directly participating in the market, by adjusting their consumption according to market signals and in return benefit from lower electricity prices. The shortest time interval for consumption data stored in the smart meter varies across MSs. The most commonly used is 15 minutes (14 MSs).
- 13 The ongoing roll-out of smart meters impacts retail markets which are evolving and innovating. Smart meter-related offers for retail clients are emerging in an increasing number of MSs. Currently customers in 13 MSs can sign up to time-of-use contracts with intra-day/weekdays/weekend energy price differentiation. In 8 MS customers can choose real-time or hourly energy pricing.

Consumer choice

- 14 For consumers to make an informed supplier choice, reliable comparison tools (CTs) are a crucial instrument in the provision of clear and transparent information. According to NRAs, they are available in 19 MSs for electricity and in 15 for gas.
- 15 A smooth switching system is of key importance to facilitate customers in exercising their right to switch supplier. To this end, the Electricity and Gas Directives impose a 3-week switching target on MSs. In practice, almost all MSs fulfil this requirement and many MSs even outperform the target. It should be taken into consideration, however, that the Directives do not define the exact moment when a switch starts; hence there may be a lot of diversity in how MSs interpret the switching time.
- 16 Consumers should also receive their final bill within 6 weeks after switching. In practice, the average time to receive the final bill in the EU is around 5 weeks, both for electricity and for gas. This means that while almost all MSs abide by this rule, quite a few MSs have shorter periods.

4 Directive 2012/27/EU of the European Parliament and of the Council of 25 October 2012 on energy efficiency, amending Directives 2009/125/EC and 2010/30/EU and repealing Directives 2004/8/EC and 2006/32/EC <https://eur-lex.europa.eu/legal-content/EN/TXT/?qid=1399375464230&uri=CELEX:32012L0027>.

- 17 Several types of “prosumers”, known as active energy consumers that at the same time self- produce and (partially) self-consume electricity, already exist (e.g. residential prosumers who produce and self-consume electricity at their homes - mainly through photovoltaic – PV - panels on their rooftops). The rise in the number of prosumers has been facilitated by the fall in the cost of renewable energy technologies, especially PV panels, which in some MSs produce electricity at a cost that can be competitive with retail prices.

Complaints handling

- 18 In almost all MSs the NRA is responsible for handling complaints, still in around half of the cases this means the NRA only forwards complaints to another body. In 2017, the main share of consumer complaints received by NRAs for both electricity and gas relate to invoicing, contracts and connection issues.
- 19 The legal maximum time to respond to a consumer complaint is in most MSs 1 to 2 months. However, it is often the case that suppliers and distribution system operators (DSOs) are required to respond somewhat faster than NRAs.
- 20 Apart from a complaints procedure, MSs also need to have an Alternative Dispute Resolution (ADR) mechanism in place. All MSs except for EE have such ADR in place, usually assigned to the NRA or a non-energy sector third party. ADRs are being used by consumers to a similar degree than in 2016. They collectively handled across the EU more than 72,000 cases. In general, an ADR has to issue its recommendation within 3 months of being notified.

Recommendations

- 21 SOLR mechanisms are in place to deal with potential failures of suppliers, but also for other purposes, including the protection of inactive consumers. In practice, in some MSs, large shares of households supplied by SOLRs raise questions about why so many household consumers either remain inactive or need protection. Therefore, it is recommended that SOLR mechanisms are designed in ways that enable and promote consumer engagement in liberalised energy markets.
- 22 19 MSs have met the minimum technical requirements set by the EU's regulations for smart meters so far. MSs are encouraged to ensure that smart meters are equipped with functionalities that allow for short reading intervals so as to enable consumers easily to benefit from and participate in energy efficiency and demand response/flexibility schemes.
- 23 MSs that have switched to smart meters should offer consumers the option of receiving monthly bills.
- 24 MSs that are committed to introduce smart meters by the end of 2020, but are currently not progressing towards meeting their target deadline, should ensure smart meters are rolled out as soon as possible.
- 25 Information on bills should be clear and transparent. The current practice of presenting, on average, ten distinct information items on a consumer bill may be too much for consumers to deal with, thus compromising the beneficial role of information to consumers. Hence, it is recommended that bills provide consumers with only essential information, such as price, energy consumption, payment options and the details of the single point of contact. Rather than adding more information to the bill, other relevant, detailed information should be available through different communication channels where possible.
- 26 MSs lacking reliable CTs should put a reliable CT at the disposal of consumers without delay. NRAs are also strongly invited to assess the effective functioning of CT(s) and, where necessary, work towards improving it. In this respect MSs should follow the CEER Guidelines on well-functioning CTs.
- 27 The actual average switching duration in the EU was already lower than the Third Package target of 3 weeks. Therefore, the European legislator and the MSs should consider a more ambitious switching target. The ACER-CEER 'Bridge to 2025'⁵ document recommended that the technical supplier switching process should be completed within 24 hours on any working day by 2025 unless the cost-benefit analysis is negative. Given the mass roll-out of IT in recent years, this target could be achieved by an earlier date. In addition to the 3-week maximum duration of the switching period, MSs should clearly inform consumers about when the switching period starts in order to secure energy supplier switching within the intended timeframe and offer consumers a free choice of the date when the switch needs to be executed.

1. Introduction

- 28 This Market Monitoring Report (MMR), which is in its seventh edition and covers the year 2017, consists of four volumes respectively on: the Electricity Wholesale Market, the Gas Wholesale Market, the Electricity and Gas Retail Markets, and Customer Empowerment. It covers the EU MSs and, for selected volumes like this one, Norway.
- 29 The Consumer Empowerment Volume reviews the levels of consumer protection in the European electricity and gas markets⁶ from the perspective of the final household consumer. Through a series of indicators, it provides empirical evidence of consumer protection and engagement across European energy markets.
- 30 Like in previous years, the Volume explores how the relevant Third Package provisions were transposed into national legislation. As most of these provisions have now been transposed into national and/or regional law, the Volume also elaborates on the existence and effectiveness of consumer protection mechanisms. It also provides recommendations on possible measures to further improve market functioning from a consumer perspective.
- 31 Additionally, the Consumer Empowerment Volume explores the similarities and differences in consumer protection between MSs in terms of the general principles set out in the Third Package. However, given the diverse way in which MSs deal with consumer protection issues, not all national specificities could be covered. Therefore, this Volume looks at public service obligations, consumer information rights, smart metering, consumer choice, consumer complaints and the protection of vulnerable consumers. However, it focuses on the metrics where there has been change. Indicators of consumer protection that saw minor change are dealt with only in passing. As such, this Volume continues to demonstrate how consumer involvement constitutes an integral part of well-functioning retail energy markets.
- 32 With a view to the pending new legislation coming from the Clean Energy for All Europeans Package of the European Commission (CEP)⁷, this year's volume already takes a wider perspective and presents several new indicators beyond those related to the Third Package. Although there is still time before the respective legislative proposals, once agreed upon at European level, are implemented at national level, this Volume aims at attending to the new provisions and ideas and has a first look at what European energy markets already have on offer in this regard.

6 Sizeable gas retail consumer markets do not exist in CY, MT and NO and are thus not covered in this Volume.

7 See <https://ec.europa.eu/energy/en/news/commission-proposes-new-rules-consumer-centred-clean-energy-transition>.

2. Public service obligations

33 Public service obligations cover a number of responsibilities which energy service companies have to meet to protect the general economic interest. European legislation, and in particular Article 3 of the Electricity and Gas Directives, equips MSs with the opportunity to introduce a series of obligations on energy sector undertakings in relation to, inter alia, the quality of supply and universal service, i.e. consumers' right to be supplied with electricity of a specified quality at reasonable, easily comparable, transparent and non-discriminatory prices.

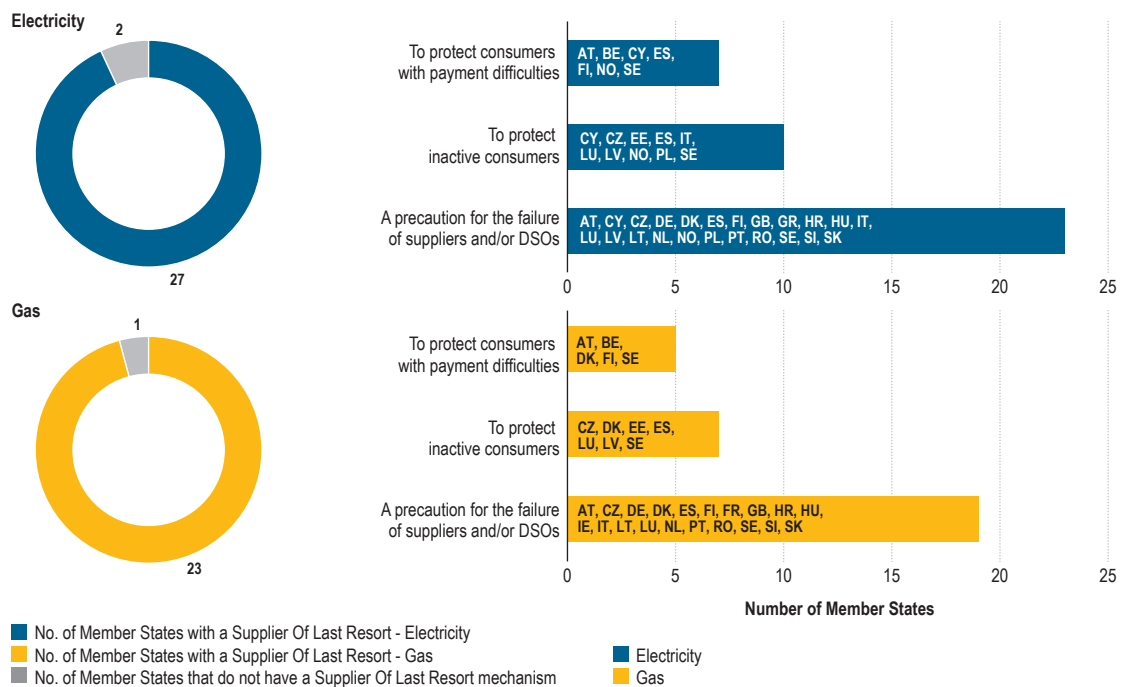
2.1 Supply of last resort

34 To ensure the provision of universal service, the Electricity Directive foresees that MSs may appoint a supplier of last resort (SOLR) and impose on DSOs an obligation to connect consumers. The Gas Directive, although short of imposing a universal service obligation, also calls on a SOLR for consumers connected to the gas system. Yet, European legislation does not further define the meaning and functions of a SOLR. As previous volumes have shown, MSs have used this flexibility to introduce various protection mechanisms, for example in case of business failure of suppliers and/or DSOs, of inactive consumers or of consumers with payment difficulties.

2.1.1 Functions of supply of last resort

35 As shown in Figure 1, most MSs have implemented a SOLR mechanism covering a variety of functions, amongst which the establishment of a precaution mechanism for the event of a supplier or DSO failure is the most widespread across Europe⁸. This is, for instance, the case when a supplier goes bankrupt or the licence of a supplier or DSO is revoked. Hence, this kind of protection appears to be a “universal function” of the supplier of last resort in electricity – most probably also the intention of the European legislator.

Figure 1: Supply of last resort: availability and functions in EU MSs – 2017 (number of MSs)



Source: CEER 2018

10 8 Only FR and MT (electricity) and BG (gas) have no designated SOLR in place.

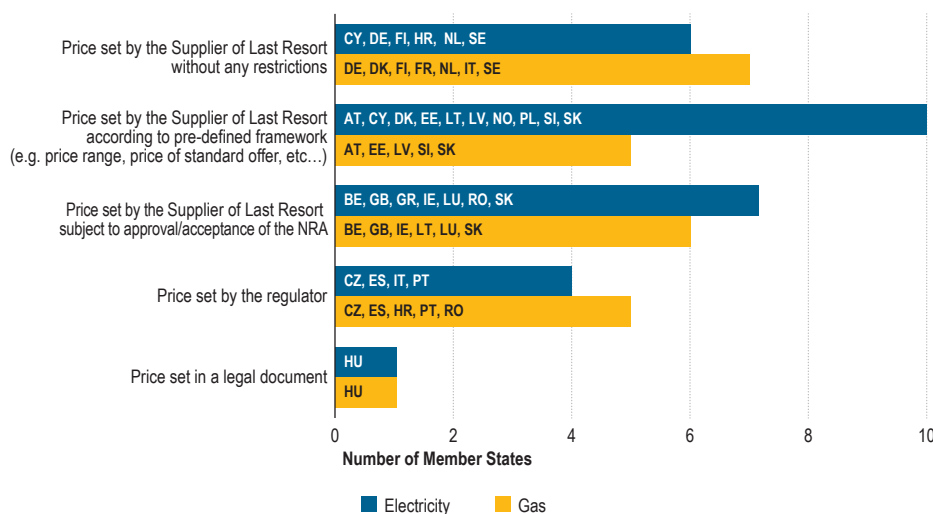
36 The use of additional functions of SOLRs comes directly from Article 3 of the Gas Directive which states that “Member States shall ensure that rights and obligations linked to vulnerable consumers are applied. In particular, Member States shall take appropriate measures to protect final consumers in remote areas who are connected to the gas system. Member States may appoint a supplier of last resort for consumers connected to the gas system.” Hence, in practice SOLR may also come to the benefit of inactive consumers or with payment difficulties. Some MSs have assigned these functions to a so-called default supplier, which may or may not be identical with SOLR.

2.1.2 Main characteristics of supply of last resort pricing

37 The use of SOLRs - i.e. consumers supplied via the SOLR mechanism - is, except for some MSs, mostly limited⁹. These findings clearly indicate that the SOLR function remains interpreted by MSs in a broad fashion - thus implying severely limited cross-national comparability. Hence, caution is necessary in interpreting any cross-national difference in the number of final household consumers supplied by the SOLR(s). Large shares of households supplied by SOLRs also raise questions as to why so many household consumers either remain inactive or need protection. Supply of last resort mechanisms may thus also unduly continue fostering consumer inactivity, especially if supply of last resort is associated with regulated prices at national level.

38 Nevertheless, it is appropriate to compare the level of the SOLR energy prices with those of the “conventional” suppliers’ energy prices, in order to assess the potential costs of such protection for households. European legislation in itself does not offer MSs guidance on how to determine the SOLR energy price. As Figure 2 shows, all but 9 MSs intervene in the price setting of the SOLR in some fashion¹⁰.

Figure 2: Entity determining the energy price for SOLR in EU MSs– 2017 (number of MSs)



Source: CEER 2018

9 In 2017, shares of electricity consumers supplied by the supplier of last resort vary between 0% or very close to 0% (e.g. AT, GB, HU, LU, LV and PL), 3-7% (BE, NO and PT), 20% (LT), 42% (ES) and a very high 88% (RO), 89% (HR) and 100% (CY, where only one supplier exists). As for gas, these shares also vary a lot – 0 or almost 0% (AT, GB, HR, IT, LT, LU, LV, PL), 2% (EE), 4% (BE, RO) to 21% (ES) and 23% (PT).

10 The MSs are HR, CY, DE, NL, DK, FI, FR, IT and SE.

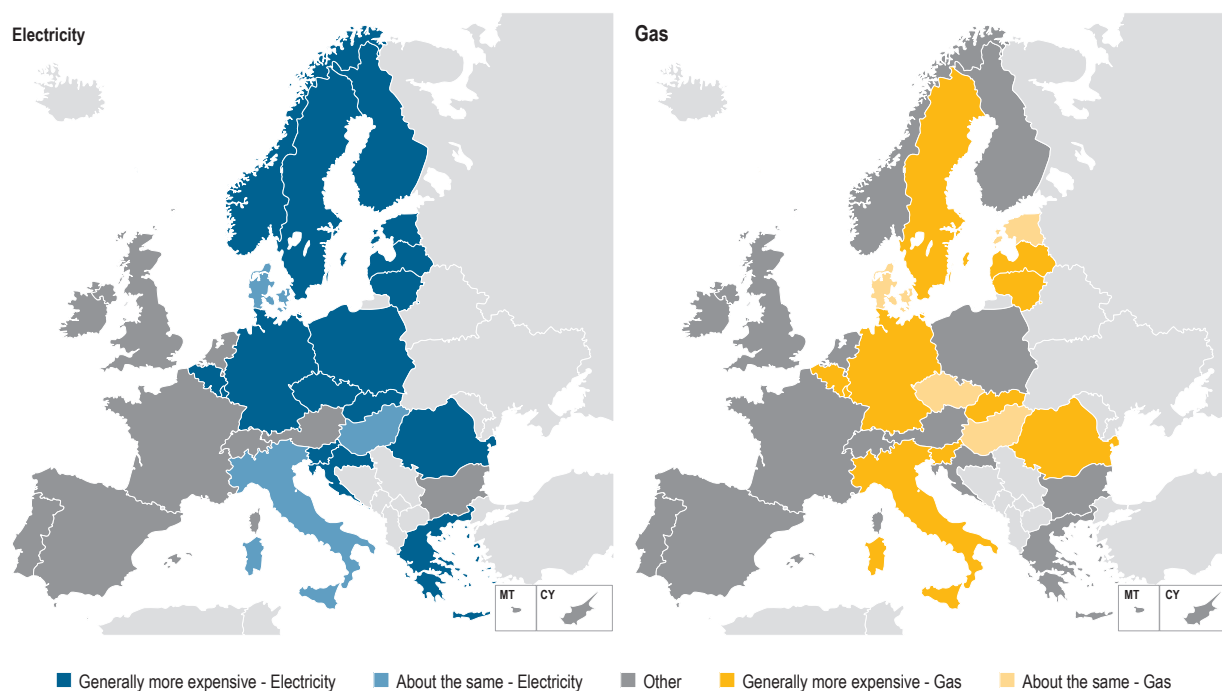
39 Two main approaches can be deduced from Figure 2:

- the NRA sets the tariff or the law stipulates the tariff levels;
- the SOLR proposes a price to the NRA for approval or must follow a pre-defined framework. In many cases, a pre-defined framework (e.g. a price range, a standard price for any of its conventional products) exists within which a SOLR may set the price. For instance, the SOLR price could be directly related to the average price of the next day of a specific exchange trading day on the electricity market, published on the electricity markets website (LV). Alternatively, a framework could determine that the SOLR price is legally bound to be equal to the exchange spot price and a predetermined surcharged approved by the NRA (DK). In some other MSs, SOLR prices need to be approved or accepted by the NRA, sometimes in a competitive selection procedure (GB).

40 Another possible concern is the SOLR price level in comparison to other standard electricity and gas offers. The critical aspect here is that protected (vulnerable) consumers could have to pay more than before being served by a SOLR.

41 Figure 3 confirms that, for both electricity and gas, SOLR energy prices tend to be higher than the prices paid by consumers served by non-SOLR suppliers in the majority of MSs. This may indicate that the SOLR is compensated for taking on this extra task. Importantly, there is no single MSs where energy sold by a SOLR is generally cheaper than a conventional standard product.

Figure 3: SOLR energy price comparison to conventional energy prices in EU MSs– 2017



Source: CEER 2018

Note: Other could mean that i) NRA do not know about SOLR prices, ii) NRA has not reported/not available, iii) SOLR prices vary from case to case or iv) no occurrence of SOLR.

42 Examining SOLR prices helps better to understand the mechanism and the specific legal or regulatory intentions in their determination. Table 1 presents examples of how SOLR prices are set in a number of MSs. Some clearly show that SOLRs are bound in significant ways – for instance, in Austria SOLR prices are equivalent to the price of the product of most household consumers of that supplier. In other MSs, SOLR prices are based on prices on spot exchanges with some pre-determined surcharge. In other countries still, such as Germany, SOLR prices are (almost) equal to the price inactive consumers pay for electricity or gas supplies.

Table 1: Descriptions of SOLR price setting mechanisms in EU MSs as provided by NRAs - 2017

MSs	Description	Electricity	Gas
AT	The price of SOLR depends on the standard product of the supplier which is (randomly) selected and accepting SOLR. This may be cheaper or more expensive for consumers, depending on the price of the failing supplier.	✓	✓
CZ	The SOLR prices are regulated by the NRA on the cost-plus basis (factually regulated prices). If SOLR requests, the NRA sets the SOLR prices as maximum prices, according to the Energy law 458/2000 Col. § 19a (5).	✓	✓
DK	The predetermined SOLR surcharge is, by law, required to correspond to the surcharges typically applied to Nordpool spot price-based products available on the market.	✓	
DE	The SOLR price is generally more expensive, because the SOLR has to calculate the risk to supply everybody who fulfills the legal requirements with only few exceptions, even when the customer is unable to pay. But the price is not allowed to exceed the price of the default supply (§ 38 Sec. 1 German Energy Act).	✓	✓
LV	The price of SOLR for gas is the average arithmetic daily settlement price of Gaspool forwards in a given month + 19,70 (EUR/MWh)		✓
LT	The Law on electricity provides that consumers who are ensured guaranteed electricity supply shall be applied the price for guaranteed electricity supply which is calculated by applying the coefficient of 1.25 to the total amount of electricity purchase price set for the public supplier and the price of public supply service. The price for guaranteed electricity supply shall be calculated and determined by the public supplier.	✓	
LU	The price of SOLR is more expensive than the standard products. This is done to discourage consumers from remaining passive	✓	✓
ES	The Last Resort Tariff is applicable only to vulnerable consumers. The Last Resort Tariff is obtained by subtracting a discount (Social Bonus) from the regulated dynamic price which is based on wholesale hourly prices.	✓	
ES	There is a wide range of offers and last resort offers are located approximately in the middle		✓
SE	Usually same price as for those customers who have not made an active choice.	✓	✓
GB	A range of factors are taken into consideration in appointing a SOLR aside from their tariff offers, and the appointment process would usually be competitive. Examples of the factors that the NRA considers in appointing a SOLR include: suppliers' proposals to protect customer credit balances; compliance with regulatory obligations, their ability to source and absorb the costs of additional energy required by customers of the failed supplier; the robustness of their plans to handle customer "on-boarding" and customer queries etc.	✓	✓

Source: CEER 2018

2.2 Restrictions to disconnecting non-paying consumers

43 In order to avoid the immediate loss of access to electricity or gas, MSs restrict, in numerous ways, disconnections from the electricity or gas grid in case of non-payment. A general way to protect consumers from disconnection is to implement warning procedures which provide consumers with additional time to settle their overdue bills. Written reminders about the consequences of non-payment and prior notices of disconnections are the most widespread across European countries. Prohibitions to disconnect on specific days (e.g. weekends) or in specific circumstances (e.g. if consumers critically depend on energy for life-supporting appliances) are also common.

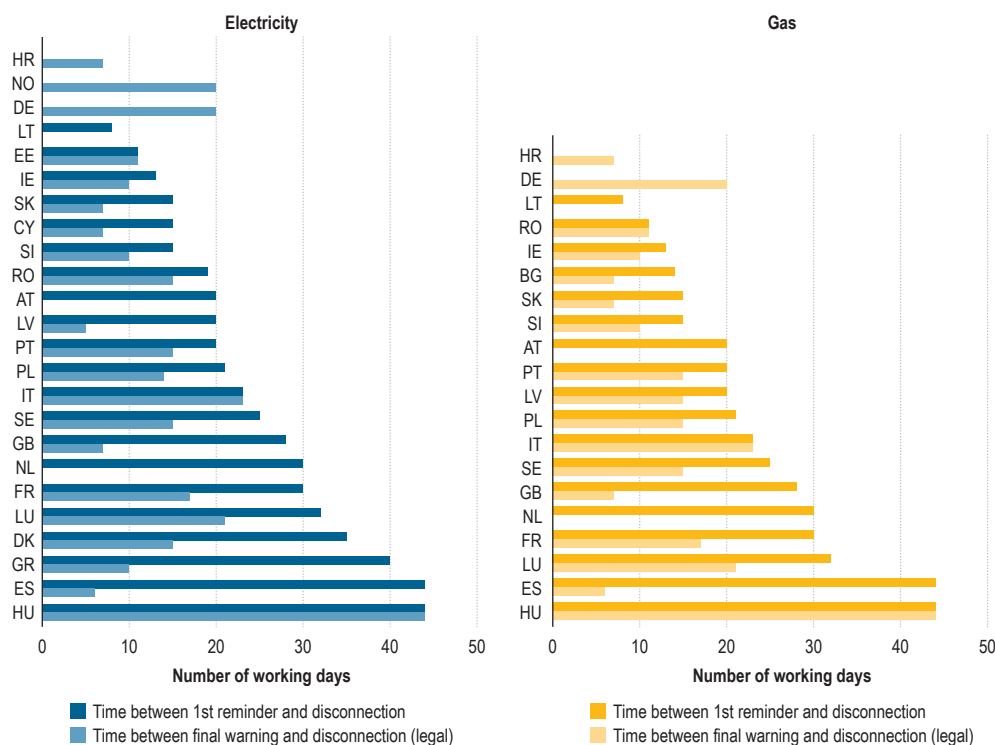
2.2.1 Minimum duration of a disconnection process due to non-payment

44 It is customary practice across MSs to remind consumers of their payment obligation and the consequences in case they do not settle their electricity or gas bills in due time. A lengthier disconnection process then enables consumers to settle bills and generally increases the likelihood of payment. Reminders in case of imminent disconnection help consumers focussing their attention on settling their energy bill balance. However, too lengthy a process may incentivise consumers to delay the payment even further; after all, suppliers and DSOs depend on timely payments in order to run their businesses.

45 As shown in Figure 4, many MSs differentiate between a first reminder (or warning) to pay and a final warning about imminent disconnection in case of prolonged non-payment. Consumers in most MSs usually have at least 2 weeks to react to a payment reminder, but in many MSs the time span is significantly longer.

46 Final warnings, including information on the exact day of disconnection, are also used in many MSs. Such announcements are most frequently sent out 2 weeks before an imminent disconnection or even closer to the disconnection date. In some MSs (EE and RO for gas), the first warning also appears to be the “last” one which limits the protective character of such warnings to a considerable extent.

Figure 4: Legal minimum duration of the disconnection process in EU MSs – 2017 (in working days)



Source: CEER 2018

47 In practice, only half of the NRAs can report on the actual average length of the time between a first reminder to pay and the disconnection. In most cases, the actual duration is significantly longer than the legal minimum. Such is the case in GB, where disconnections take about 80 working days on average, or in LT, 58 days, which are decisively longer periods than the legal requirements of 20 and 8 days, respectively. In HU, however, the actual length of the gas disconnection process (47 days) is close to the minimum duration of 44 working days as shown in Figure 4. In other countries still, e.g. BG, the actual disconnection time is also quite short with 15 working days between the first reminder and the disconnection.

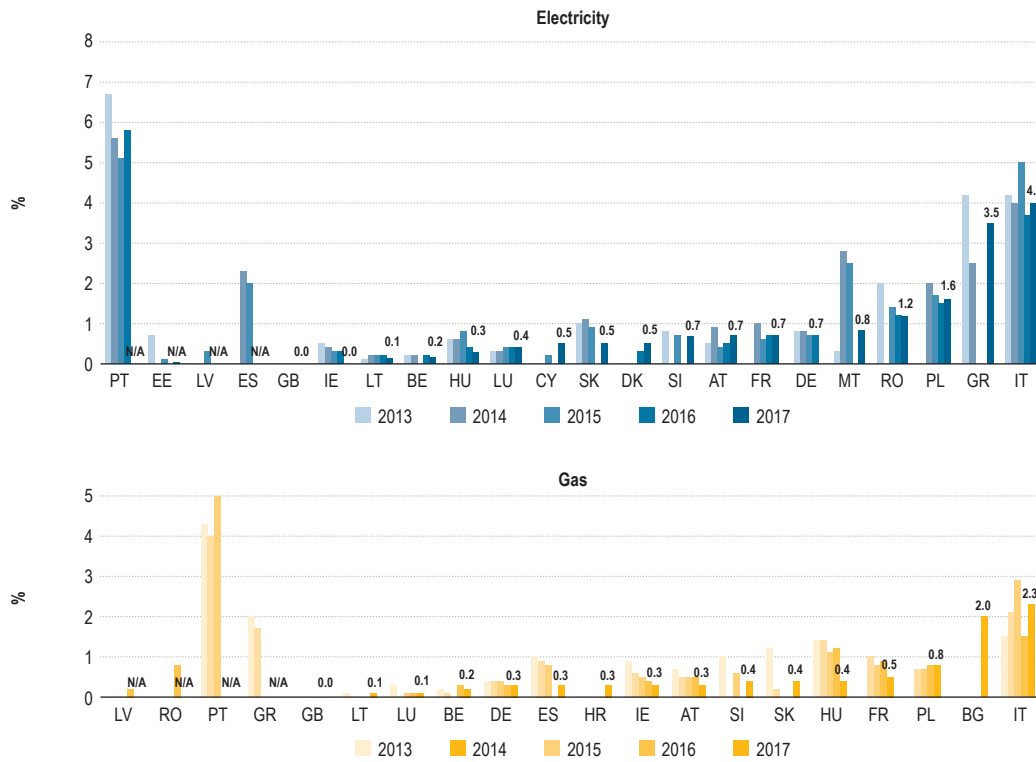
2.2.2 Shares of consumers disconnected due to non-payment

48 The actual numbers of consumers disconnected due to non-payment for electricity and gas supplies are shown in Figure 5. In 2017, the electricity disconnection rate due to non-payment was the highest in IT, where 4% of metering points were disconnected. At the other end of the spectrum, there were again hardly any disconnections due to non-payment in GB or IE, where non-payers and people struggling to pay their energy bills in general are usually offered (or were already equipped with) prepayment meters. Overall, and compared to 2016, disconnection rates in electricity and gas appear to be rather stable across MSs.

49 While Article 37 of Electricity Directive and Article 41 of the Gas Directive oblige NRAs to monitor disconnection rates, the disconnection rates presented in Figure 5 only refer to the cases of non-payment of energy bills, since only these appear to be socially sensitive cases with respect to consumer protection. Clearly, some disconnections, especially in cases of moving home or vacant accommodations, are not relevant from a consumer protection perspective and should arguably not be considered in the analysis.

- 50 Prepayment meters are not widely used across Europe. In electricity, they are mainly used in GB (16%). In BE, roughly 2% of residential customers are equipped with prepayment meters. In other MSs, their use is even more marginal (e.g. 0.1% in AT). In gas, the picture is almost identical. A wider use in IE (19%) and GB (15%) contrasts with some use in Belgium (2%) and negligible use in almost all other EU MSs (e.g. 0.4% in HU).
- 51 Such variation in the use of prepayment metering also constitutes another caveat for a 1:1 comparison of disconnection rates across MSs. As it has already been mentioned for GB and IE, prepayment metering appears to be a (viable) alternative to disconnecting non-payers from the grid.

Figure 5: Share of disconnections due to non-payment in EU MSs – 2013-2017 (%)



Source: CEER 2014-2018

3. Protection of vulnerable consumers

3.1 Definition of the concept of vulnerable consumers

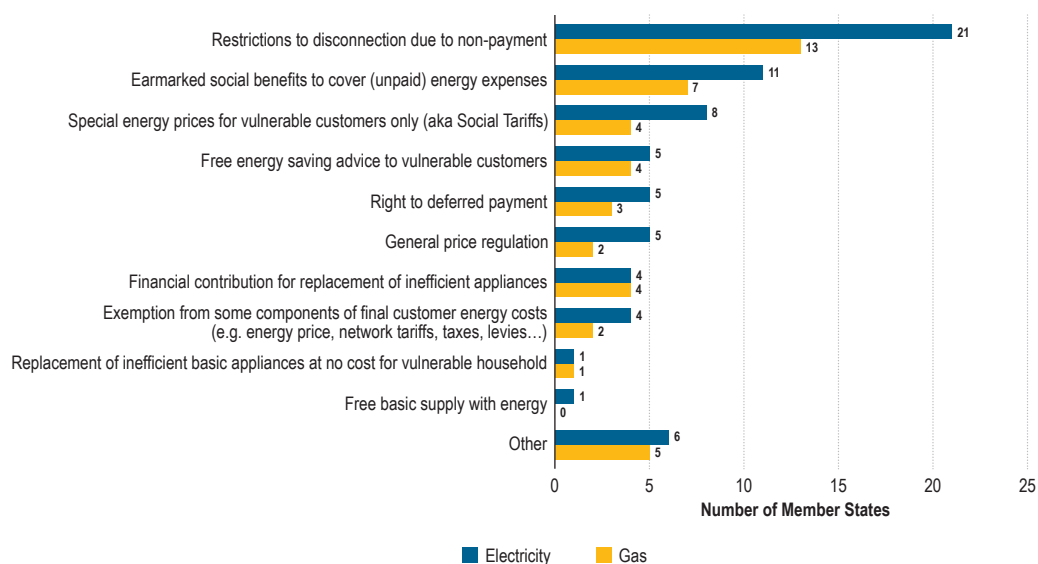
52 Previous editions of this Volume presented at some length whether and how MSs defined the concept of vulnerable consumers. These earlier findings have shown that MSs broadly use explicit or implicit definitions to fulfil the requirements of the Third Package. Most MSs¹¹ uses explicit definitions of the concept of vulnerable consumers for both electricity and gas. Implicit definitions for both sectors exist in AT, CZ, DE, FI and LU. In other MSs, definitions of the concept of vulnerable consumers are only available in electricity or gas or not at all (e.g. DK).

3.2 Protections for vulnerable consumers

53 Both the Electricity and Gas Directives do not define specific measures to protect vulnerable consumers. It is left to the MSs to decide to what extent specific measures are introduced in the energy laws or whether this belongs to the remit of the general social security system.

54 Figure 6 gives evidence that many different measures have been implemented across Europe. MSs frequently make use of restrictions to disconnection due to non-payment to protect vulnerable consumers. Many MSs also maintain special energy prices for such groups, also known as social tariffs. Some MSs interpret regulated prices as a specific protection mechanism for vulnerable consumers. Other measures - such as (non)earmarked social benefits to cover energy costs, exemptions from parts of the energy costs (especially funding contributions to renewable energy or energy efficiency) or (partial) grants for replacing old appliances with new, more energy efficient ones - have gained popularity in only a few countries.

Figure 6: Measures in place to protect vulnerable consumers in EU MSs – 2017 (number of MSs)



Source: CEER 2018

3.3 Energy poverty

- 55 The concept of energy poverty has recently gained significant attention both at the European and national levels. While a straightforward definition of energy poverty does not exist, various institutions, amongst whom the European Commission, provide important insights into the topic. The EU Energy Poverty Observatory¹², for instance, offers valuable descriptions of the phenomena commonly associated with energy poverty and demonstrates a series of related metrics of energy poverty across Europe.
- 56 While the Third Package alludes to energy poverty, the Clean Energy for All Europeans Proposal (electricity recast) contains, in its draft versions, clear actions to be undertaken. MSs shall, in one way or the other, monitor energy poverty and, importantly, also take measures against it. This paragraph explores to what extent MSs already have definitions of energy poverty.
- 57 In 2017, only 5 NRAs reported to have definitions of energy poverty even though many more MSs are active in matters of energy poverty, as various European Commission reports on the topic have shown. Yet, when receiving information and data from NRAs, definitions of energy poverty are only reported for CY, FR, GB, RO and ES. CY and ES, however, only have a definition of energy poverty in electricity and not in gas. The Romanian NRA also offers more details on how energy poverty is defined: “*Energy poverty is often defined as a situation where individuals or households are not able to adequately heat or provide other required energy services in their homes at affordable costs.*”
- 58 Among those 5 MSs, percentages of energy poor people are 4.6% in CY, 8% in ES, 9.1% (electricity) and 14.2% (gas) in FR, 10.3% in RO and 11.1% in GB.
- 59 Reasons for energy poverty are manifold. Amongst them, the costs of energy play a crucial role. Juxtaposing the recent downward trend in energy prices (see the 2017 electricity and gas retail MMR¹³) – as one component of the energy costs – and the simultaneous increase in network tariffs and taxes and levies partly also due to political decisions regarding the funding of the energy transition indicates that responsibilities for energy poverty shift into the regulated and other administratively-set components of the energy bills, rather than being exclusively the result of market dynamics.

12 Online accessible at <https://www.energypoverty.eu/>.

13 https://acer.europa.eu/Official_documents/Acts_of_the_Agency/Publication/ACER%20Market%20Monitoring%20Report%202016%20-%20ELECTRICITY%20AND%20GAS%20RETAIL%20MARKETS.pdf.

4. Consumer information rights

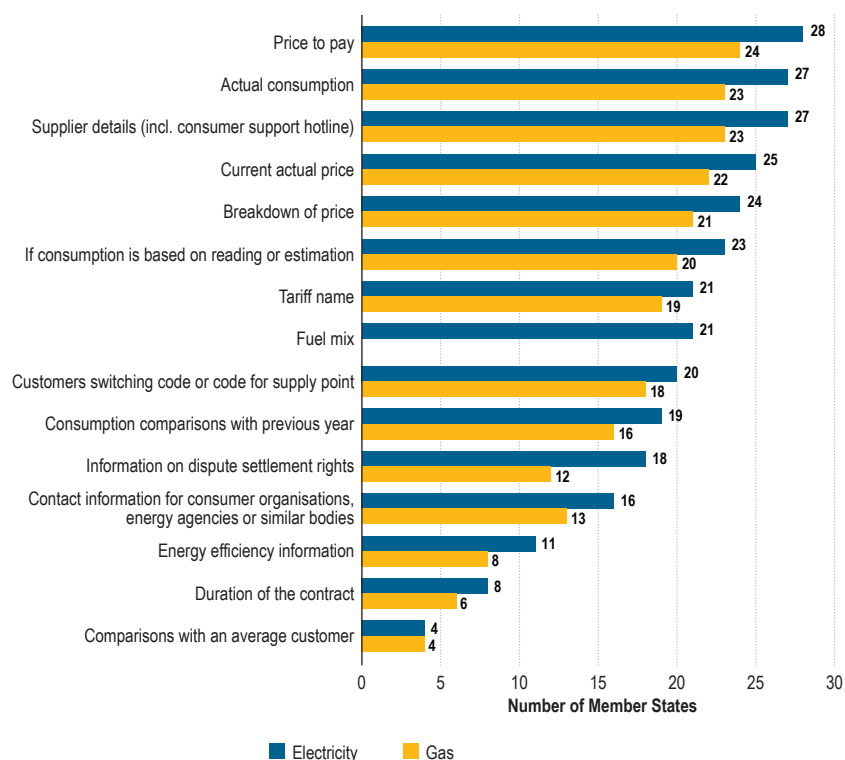
60 Consumer engagement requires consumers having easy access to relevant information. Article 18 and Annex II of the Electricity Directive consider consumer information essential for consumer protection and empowerment. Arguably, the same holds for information for gas consumers.

4.1 Information on bills

61 Article 10 of the EED states that energy bills should contain information about actual energy consumption. Annex VII of the EED requires bills to, at least, include information on current prices and actual consumption of energy, historical consumption comparisons and contact information for consumer organisations, energy agencies or similar bodies. According to the Electricity Directive, bills should prominently display information about, for example, price, tariff name, switching code and contact details for dispute settlement. In addition to the requirements of the EED and the Electricity Directive, other national legal requirements influence the number of information items on energy bills.

62 Figure 7 illustrates, for distinct categories of information to household consumers on their bills, the number of MSs providing such information. Considering that some MSs do not have sizeable retail markets for gas consumers and are thus not covered in this report (CY, MT and NO) it can be argued that electricity and gas consumers have about the same access to information.

Figure 7: Information elements provided on household consumer bills in EU MSs – 2017 (number of MSs)



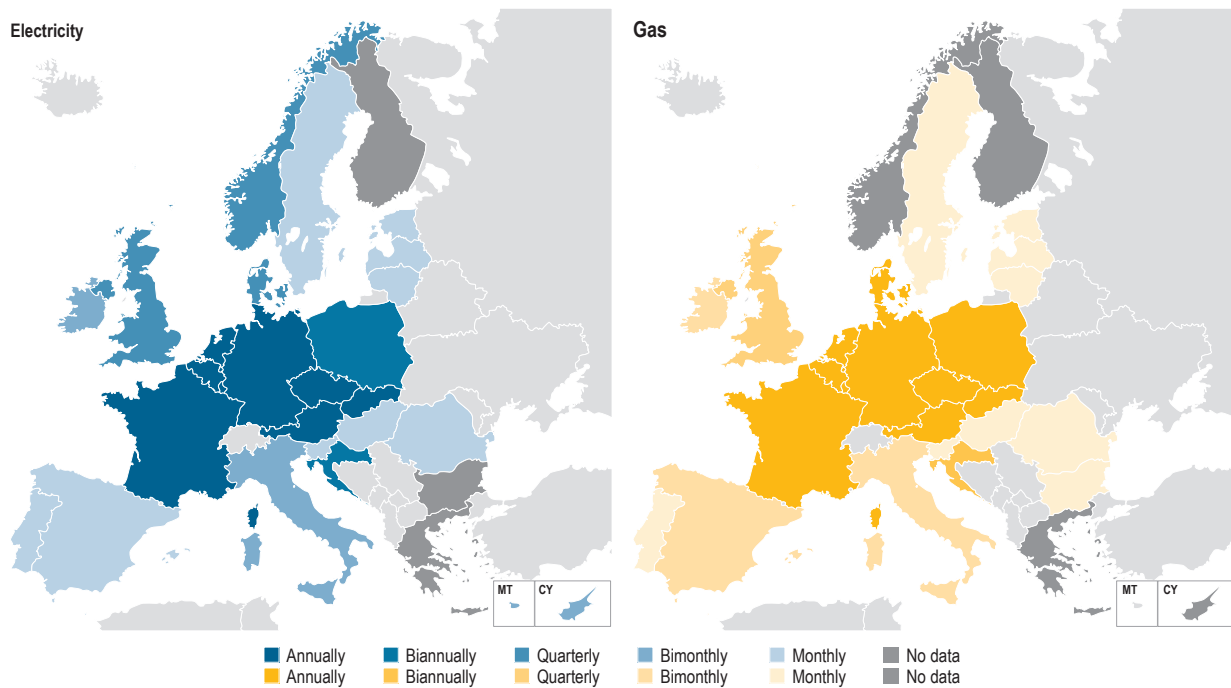
Source: CEER 2018

63 Consumers in most MSs receive information on: price to pay, actual consumption, current price, breakdown of the price – arguably, these are necessary billing elements to determine volume and costs of energy for a given period. Information about, for example, the customer’s unique switching code, energy efficiency and the duration of the contract is less common on bills. Unfortunately, exactly these pieces of information are supposed to be empowering for many consumers. Knowledge about the switching code is said to guarantee a smoother and maybe faster switching process in many countries; information about energy efficiency measures helps to save money and protect the climate.

4.2 Frequency of billing

- 64 Figure 8 shows that in 17 MSs, electricity consumers typically receive their bills either quarterly, bimonthly or monthly. In 8 MSs electricity consumers are billed annually. For gas, consumers in 14 MSs receive their bills quarterly or more frequently. Consumers in 10 MSs receive their bills annually.
- 65 According to item 1.1 of Annex VII of the EED, MSs are required to ensure that, where individual meters are available, individual bills based on *actual* consumption are provided at least once a year. According to the interpretative note by the European Commission¹⁴, where smart metering is available, consumers should receive monthly billing information based on actual consumption.
- 66 As explained in more detail in Section 5, smart meters are widely available in EE, ES, FI, IT and SE (more than 80 percent coverage) and significant shares have been rolled out in NL, NO, DK and SI. In most of these MSs, bills are already issued monthly (or bimonthly) based on actual consumption volumes. Hence, in such cases the monthly billing interval may make it redundant to send additional billing information to consumers.

Figure 8: Frequency of issuing energy bills to final household customers in EU MSs– 2017



Source: CEER 2018

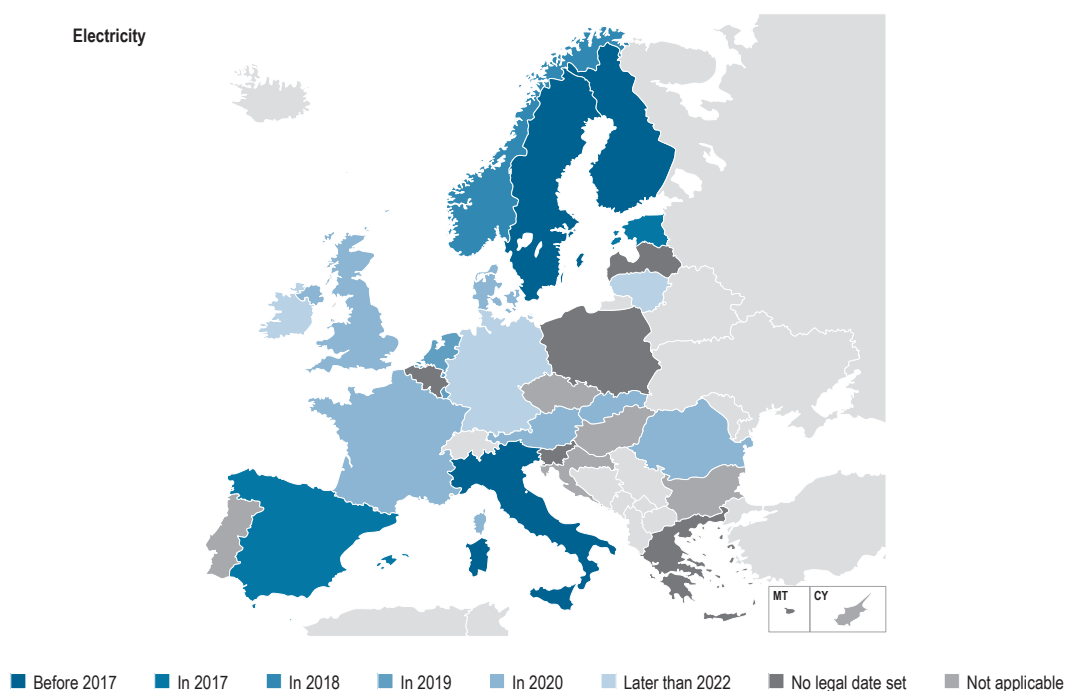
5. Smart metering

- 67 The European Commission Recommendation on preparations for rolling-out smart metering systems¹⁵ aims to facilitate the roll-out of smart meters and provides common minimum functional requirements for smart meters in electricity. The requirements concern access and frequency of meter readings for the consumer, the network operator and any third party designated by the consumer. The meters must provide two-way communication for maintenance and control, support advanced tariff systems, allow remote control of the power supply and/or flow or power limitation, and provide import/export facilities. Furthermore, meters must provide secure data connections, fraud prevention and detection mechanisms.
- 68 Article 9(2)(a) of the EED establishes the obligation of MSs to ensure that the “objectives of energy efficiency and benefits for final household consumers are fully considered when establishing the minimum functionalities of smart meters and the obligations imposed on market participants”. It is for MSs to decide which energy efficiency objectives and which benefits to final consumers are considered when setting minimum standards for smart meters.

5.1 Roll-out

- 69 According to Annex I of the Electricity Directive, MSs should roll-out electricity smart meters to 80% of consumers by 2020, unless the result of a cost-benefit analysis is negative. For the gas sector, Annex I of the Gas Directive requires MSs to prepare a timetable for the roll-out of gas smart meters with no indication of a timeline, but also subject to cost-effectiveness. The roll-out of gas smart meters is still very limited though, with only FR, GB, IT, LU and NL having commenced.
- 70 Figure 9 shows by when electricity smart meter roll-out has been planned to reach, or is still planned to reach, 80% or more of household consumers according to national laws. In 2017, 2 more MSs, EE and ES, have completed a roll-out and equipped consumers with smart meters. By 2018, most consumers in NO shall be equipped with smart meters, followed by consumers in LU and NL by 2019.

Figure 9: Target year by when the 80 % rate of electricity smart meters will be reached in EU MSs– as of end 2017

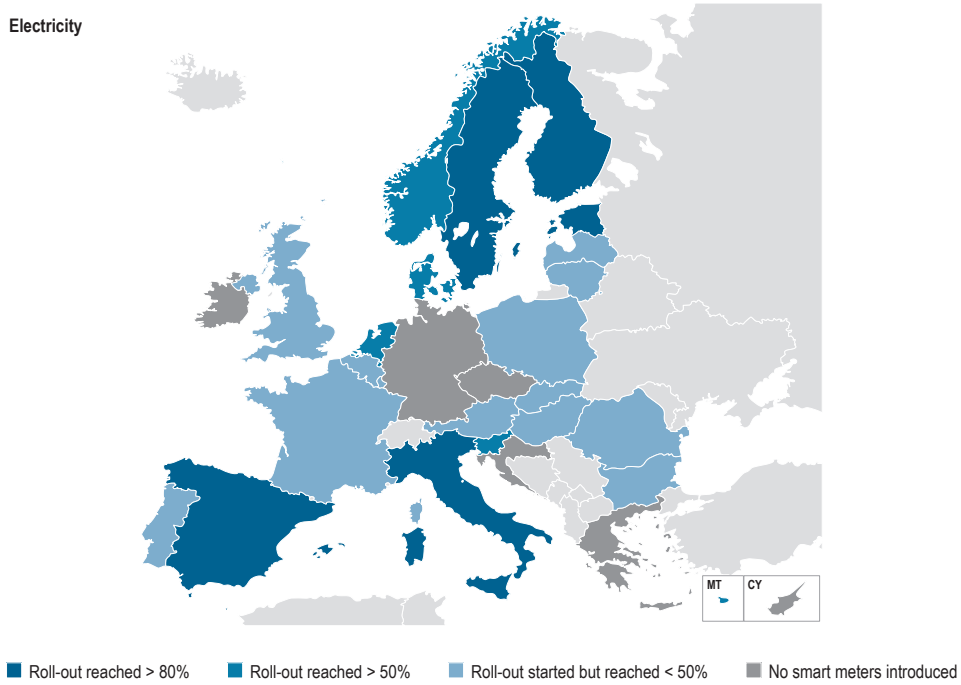


Source: CEER 2018

15 Commission Recommendation 2012/148/EU of 9 March 2012 on preparations for the roll-out of smart metering systems (OJL73, 13.3.2012, p. 9–22).

71 Figure 10 below shows the status of the roll-out of electricity smart meters at the end of 2017. There are 9 countries where the roll-out of smart meters has already reached more than 50 percent of household consumers. In addition, in 7 countries the roll-out has started but has not reached such a significant level yet.

Figure 10: Electricity smart meter roll-out rates in EU MSs – 2017 (%)



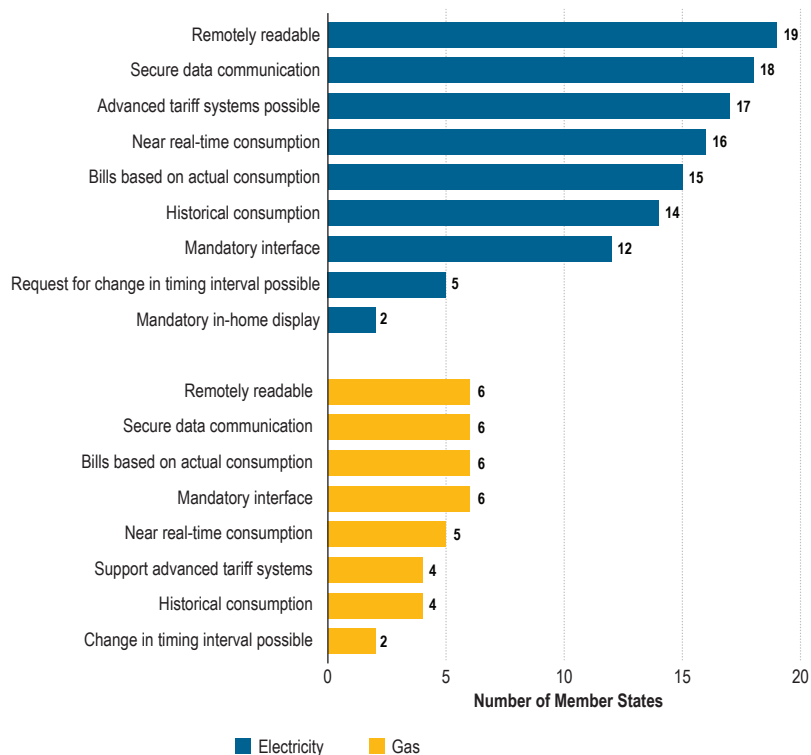
Source: CEER 2018

Note: Shares of rolled-out smart meters do not necessarily assume a positive roll-out decision following CBA but also include installed smart meters based on pilots and other reasons (for instance, in LT).

5.2 Functionalities

72 Minimal technical and other requirements for smart meters are defined in legislation in 19 MSs in the case of electricity and in 6 MSs in the case of gas, to ensure benefits to household consumers. Many of these MSs require that smart meters provide information on actual consumption, make billing based on actual consumption possible and ensure easy access to information for household consumers. Figure 11 summarises the most common functionalities required for smart meters in EU MSs.

Figure 11: Most adopted legal requirements for smart meters in EU MSs – 2017 (number of MSs)



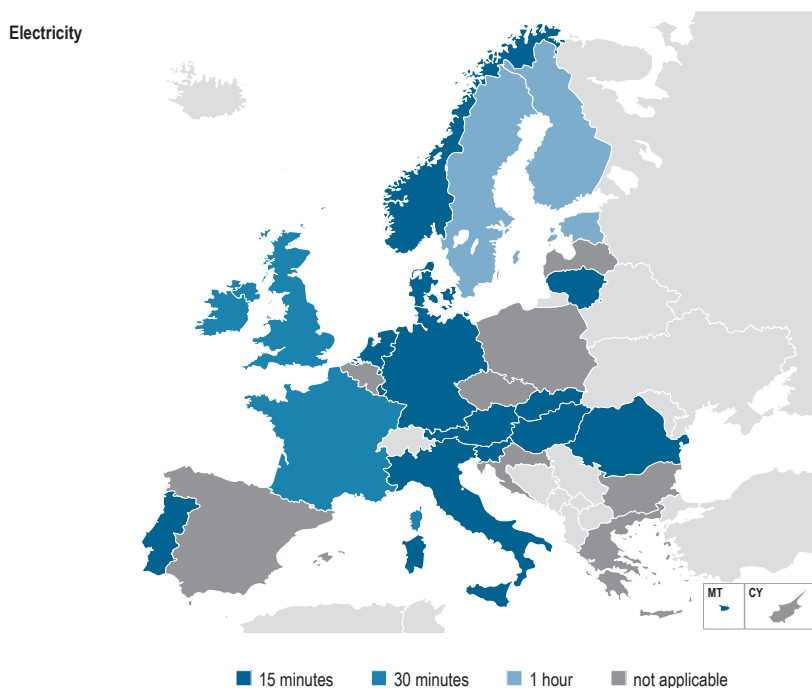
Source: CEER 2018

5.3 Time intervals of smart meter readings

- 73 The maximum time granularity of available smart meter readings determines what potential is at the disposal of consumers to optimise their consumption patterns. Usually, the granularity determines the type of time-of-use products that can be offered to consumers. A product matched to the price changes on the wholesale market (e.g. exchange) requires a smart meter reading in the same interval as found on the wholesale market in order perfectly to match price and consumption volume. Likewise, products which offer cheaper energy at specific times or days of the week require smart meter data being able to clearly identify consumption volumes in such periods.

- 74 The maximum time granularity for consumption data stored in the smart meter varies across MSs. Among MSs with smart meters, the most commonly used granularity is 15 minutes (14 MSs). In 3 MSs it is 30 minutes and in 3 MSs it is 1 hour (see Figure 12).

Figure 12: Maximum time granularity in electricity smart meters for electricity in EU MSs – 2017



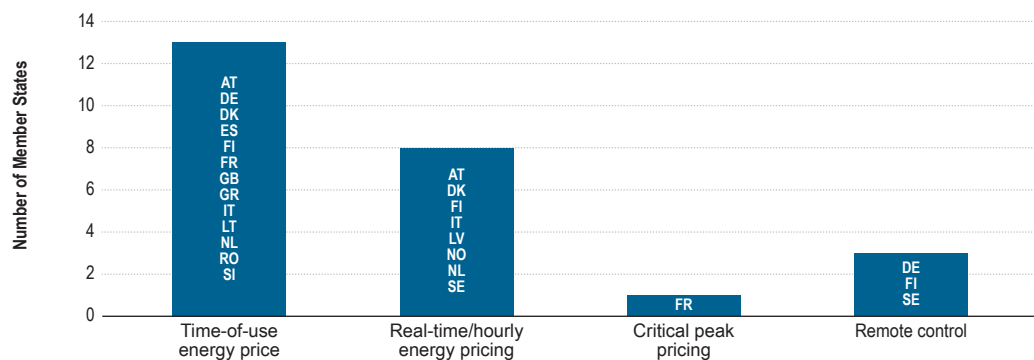
Source: CEER 2018

Note: The information above is not limited to smart meters in CBA-tested national roll-out endeavours but also includes pilot smart meters.

5.4 Types of smart meter for electricity consumers

- 75 According to the Electricity Directive, all consumers should be able to benefit from direct participation in the market, by adjusting their consumption according to market signals and in return benefit from lower electricity prices. In order to enable this, smart meters and dynamic electricity pricing contracts are crucial. Such products could have many different properties. Time-of-use products, where electricity is cheaper or more expensive depending on the time of day, or the weekday/weekend, seem to be the most common ones. Real-time pricing matches consumer energy prices much more closely with wholesale prices, while critical peak prices generally signal peak consumption levels in determining the price of energy. Smart meters with remote consumption control functionality are for example devices that adapt the operation of specific home appliances, such as heat pumps, to hourly electricity prices, in order to benefit from shifting consumption to lower-price periods.
- 76 Currently, electricity consumers in 13 MSs can sign up to time-of-use contracts with intra-day, weekdays, weekend energy price differentiation. In 8 MSs electricity consumers can choose real-time or hourly energy pricing (see Figure 13).

Figure 13 Types of smart meter products available in EU MSs – 2017 (number of MSs)



Source: CEER 2018

Note: The information above is not limited to smart meters in CBA-tested national roll-out endeavours but also includes pilot smart meters.

6. Consumer choice

77 This section examines consumer activity levels, including switching, prosuming and demand response activities, and explores the availability and properties of comparison tools in EU MSs.

6.1 Active consumer roles

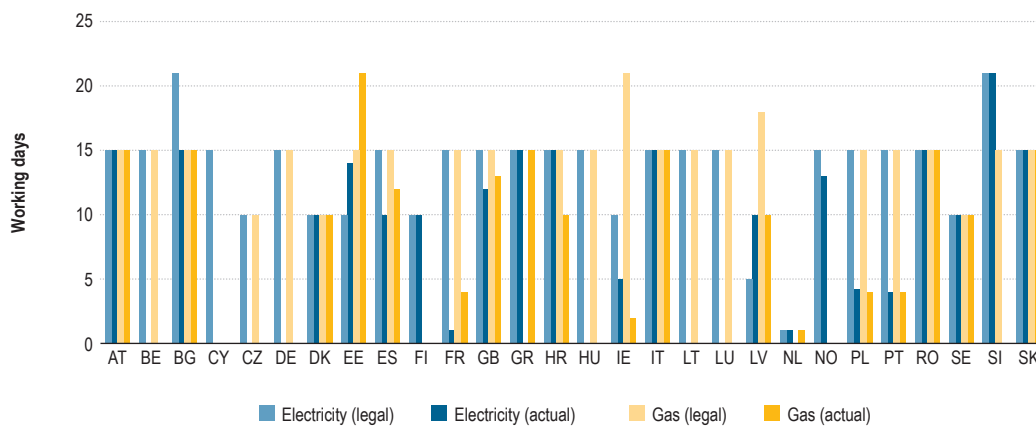
78 There are three ways for consumers to play an active role in the liberalised energy market: (i) supplier and/or product switching; (ii) prosuming, that is the self-generation and (partial) self-consumption of such energy and (iii) demand response activities that is any behavioural or other actions undertaken by households in response to (any kind of) signal “from the market”.

6.1.1 Switching

79 Supplier switching has been the most direct way for consumers to take part in the energy markets from the beginning of their liberalisation. Furthermore, supplier switching strengthens competition. According to the Electricity and Gas Directives, a switch should take no longer than three weeks and consumers should receive their final bill within 6 weeks.

80 As shown in Figure 14, the legal maximum duration of an electricity and a gas switch meets the respective Directive requirements (i.e. 3 weeks or 15 working days) in most MSs, while in some MSs the legal national requirement is still set above this limit.

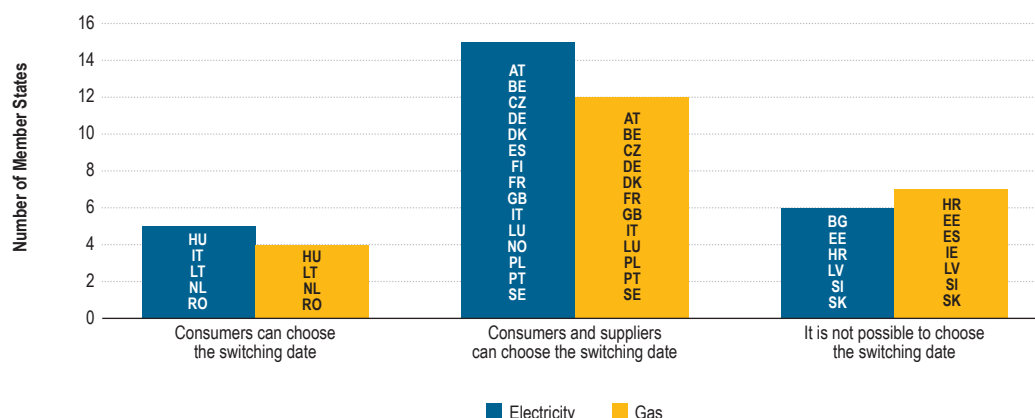
Figure 14: Legal and actual switching time in EU MSs - 2017 (in working days)



Source: CEER 2018

81 To empower consumers, the switching time should be as short as possible and switching should be possible on any day during the week. Therefore, the switching date should be as flexible as possible, adapting to consumer preferences (e.g. when the old contract expires, instead of as soon as possible). Specific national legislation determines when switching can be executed. In the electricity sector in 15 MSs, both consumers and suppliers can choose the precise switching date while in 5 MSs only consumers can choose and in 6 MSs it is not possible to choose the precise switching date at all. As shown in Figure 15, the situation is similar for gas.

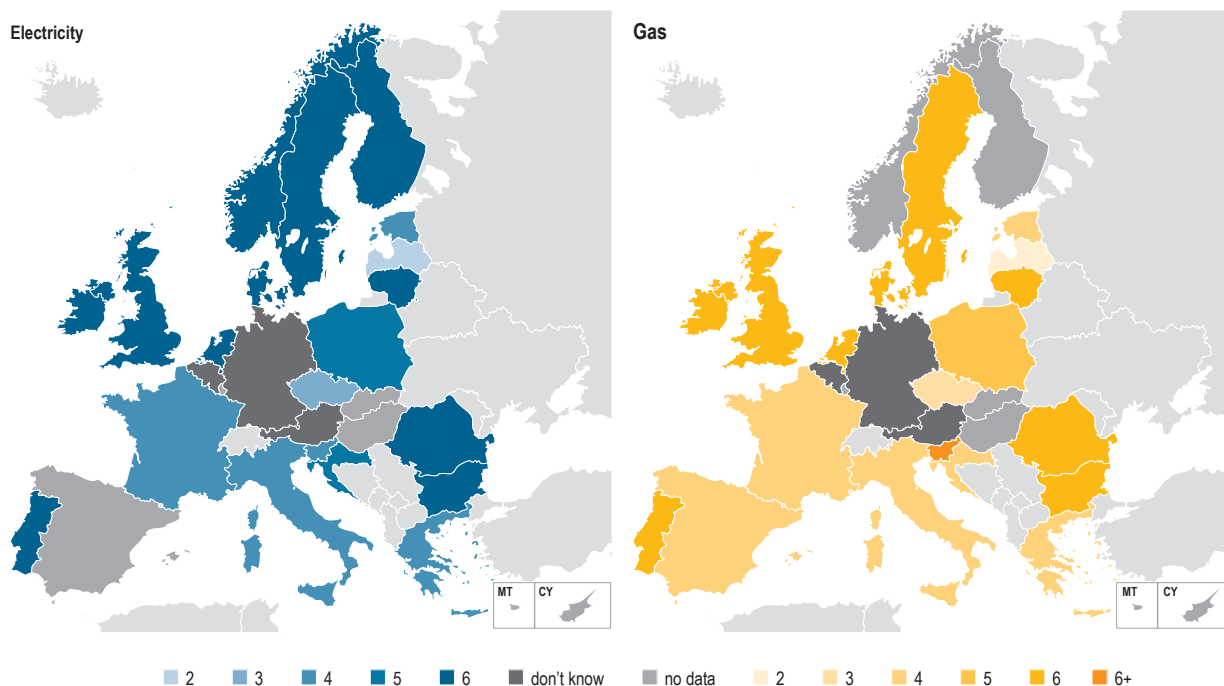
Figure 15: Possibility to choose the precise switching date in EU MSs - 2017 (number of MSs)



Source: CEER 2018

- 82 The possibility to choose the precise switching date depends on the practical switching procedures in place. In MSs where this possibility is available, consumers must contact the supplier in order to request a specific date. Otherwise, a consumer will typically be switched at the earliest date possible. However, this choice is not given if switching is restricted to certain days of the month or the week.
- 83 For the consumer experience, it could make a crucial difference whether the switching process has been standardised or not, as standardisation implies a coherent and sanctioned procedure involving all market participants. A standardised mechanism implies that all market participants (DSOs, suppliers and other involved third parties if applicable) all apply the same, unique supplier switching procedure. A standardised switching process can operate through a common switching platform, data hub or through other homogeneous IT procedures between suppliers and DSOs. It could be the result of voluntary cooperation among energy service companies (i.e. self-regulation) or mandated by law.
- 84 Regarding the use of supplier switching mechanisms, 28 MSs in electricity and 22 MSs in gas have standardised mechanisms.¹⁶ In the majority of MSs where a standardised mechanism is in place, all final household consumer metering points are covered by this mechanism, while the remaining MSs with standardised mechanisms cannot report the precise coverage.
- 85 As already mentioned, after switching consumers should receive their final bill from their former supplier within 6 weeks. In most MSs consumers receive the final bill in this time span. There are a few exceptions though and in some MSs the process lasts even less than six weeks (see Figure 16).

Figure 16: Actual maximum time between switching supplier and actual receipt of the final bill in EU MSs – 2017 (in weeks)



Source: CEER 2018

6.1.2 Prosuming

- 86 In November 2016, the European Commission released its Communication on Clean Energy for All Europeans¹⁷ with new policy and regulatory initiatives, recognising that consumers play a fundamental role in realising the full potential of the European energy market and that the retail electricity market has to offer them the possibility to actively participate in and benefit from the energy transition.
- 87 Prosumers, that is, active energy consumers that at the same time self-produce and (partially) self-consume electricity, may dramatically change the electricity system. One type of prosumers has already been existing for some time in most MSs: residential prosumers who produce and self-consume electricity in their homes – mainly through PV panels on their rooftops.
- 88 Examples of other types of prosumers are public institutions, cooperatives or housing associations, among others, whose core business activity is not electricity production, but who nonetheless generate electricity at their premises and use it themselves and/or inject it or any surplus into the grid.
- 89 The rise in the number of prosumers has been facilitated by incentives provided as well as the fall in the cost of renewable energy technologies, especially PV panels, which in some MSs produce electricity at a cost that can be competitive with supplier retail prices. Profitability depends partly on the share of the electricity produced that prosumers can consume themselves and how this is regulated.
- 90 The use of PV panels among household consumers is reported by only eight NRAs. The MS with the highest share of households with PV panels for self-consumption is DK (2.9%). In IT, 2% of the total number of consumers in the country are using PV panels for self-consumption which equals 4.3% of the total installed production capacity in IT. In MT, 0.85% of consumers are using PV panels as their main energy source, yielding 12.2% of the total installed capacity in the country. LT has a rate of 0.03% of PV panel infiltration among household consumers which is equal to 1.05% of installed capacity. In NL, 9% of the total installed capacity comes from PV panels for self-consumption.

17 See <https://ec.europa.eu/energy/en/topics/energy-strategy-and-energy-union/clean-energy-all-europeans>.

6.1.3 Demand response activities for electricity consumption

- 91 Demand response provides an opportunity for consumers to play a significant role in the operation of the electricity grid by, for example, reducing or shifting their electricity usage away from peak periods in response to time-based rates or other forms of financial incentives.
- 92 Demand side flexibility can be provided by:
- Consumers who shift their electricity consumption to another time of day or week. Typically, this relates to electricity use for heating, charging of electric cars or using household appliances.
 - Consumers who reduce their electricity demand, including volume and load at certain times, in order to benefit from energy price changes. Typically, these are large-scale consumers within the electricity-intensive industry who choose to decrease demand when the electricity price is too high.
- 93 The basic prerequisites for a well-functioning flexibility market are availability of information to consumer and smart metering. This necessitates:
- The introduction of smart meters;
 - Availability of hourly consumption values and metering data for controlling energy use;
 - The introduction of technological solutions for flexible power use and power reduction;
 - The introduction of electricity market-linked usage/automation/devices for energy flexibility at the users' premises, including energy storage systems;
 - Clear information to enable consumers to make well-informed decisions.
- 94 Implicit demand-side flexibility is the consumer's reaction to price signals. Where consumers have the possibility to choose hourly or shorter-term pricing, reflecting price variability on the wholesale market and the grid, they can adapt their behaviour (through automation or individual action) in order to save on energy costs.
- 95 Some implicit demand response mechanisms are: time-based rates, time-of-use pricing, critical peak pricing, variable peak pricing, real time pricing, and critical peak rebates. It also includes direct load control programmes which provide the ability for power companies to switch air conditioners and water heaters on and off during periods of peak demand in exchange for a financial incentive and lower electric bills.
- 96 Explicit demand-side flexibility is committed and dispatchable flexibility that can be traded (like generation flexibility) on different energy markets (wholesale, balancing, system support and reserves markets). Electricity consumers receive specific rewards or incentives in order to change their consumption patterns upon request (using more or using less), e.g. triggered by activation of balancing energy, differences in wholesale prices, steep ramps or a constraint on the network. This can be facilitated and managed by a supplier or by an aggregator.
- 97 While in many countries there are interruptible capacity contracts for industrial consumers, DE is the only MS that currently has explicit incentives in place for household consumers. In DE consumers with controllable consumer devices are charged lower network costs, if they are controlled by the DSO for network management reasons and have the necessary grid usage contract.

6.2 Comparison tools

- 98 Comparison tools (CTs) are a crucial instrument in the provision of clear and transparent information to consumers. They empower energy consumers, by offering a clear and trusted service, and if additional information were available, by helping consumers navigate and understand the market. This empowerment builds on the reliability of CTs and the promotion of direct access to well-functioning comparison services.
- 99 In its Communication 'Delivering a New Deal for Energy Consumers'¹⁸, the European Commission highlighted a set of challenges for the functioning of retail markets, including a lack of appropriate information for consumers

18 European Commission, Delivering a New Deal for Energy Consumers, COM (2015) 339 final. See https://ec.europa.eu/energy/sites/ener/files/documents/1_EN_ACT_part1_v8.pdf.

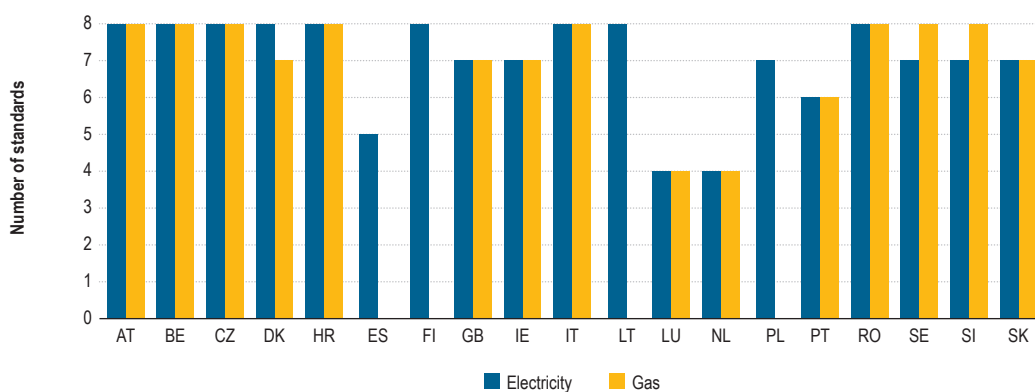
on costs and consumption, as well as limited transparency on offers that make the assessment of the market situation and its opportunities for consumers more difficult.

6.2.1 Minimum requirements

100 In 2012, CEER published a set of criteria for CTs. These criteria were updated in 2017 in CEER’s ‘Guidelines of Good Practice on Comparison Tools in the New Energy Market Design’ (GGPs).¹⁹ The GGPs on CTs are meant as guidelines for those that operate a CT and include a set of 16 recommendations resulting in eight standards on how CTs should function effectively to the benefit of energy consumers. These standards concern: independence, transparency, exhaustiveness, clarity and comprehensibility, correctness and accuracy, user friendliness, accessibility, and consumer empowerment.

101 If these criteria are complied with, consumers will gain better access to neutral and objective information that empowers them to take an active role in the liberalised energy market. Figure 17 below shows that many NRAs consider that the tools available in their countries meet all or almost all criteria listed in the GGP on CTs (14 MSs for electricity and 11 MSs for gas).

Figure 17: CEER standards/criteria from the GGP on CTs used to assess the reliability of CTs in EU MSs – 2017 (number)



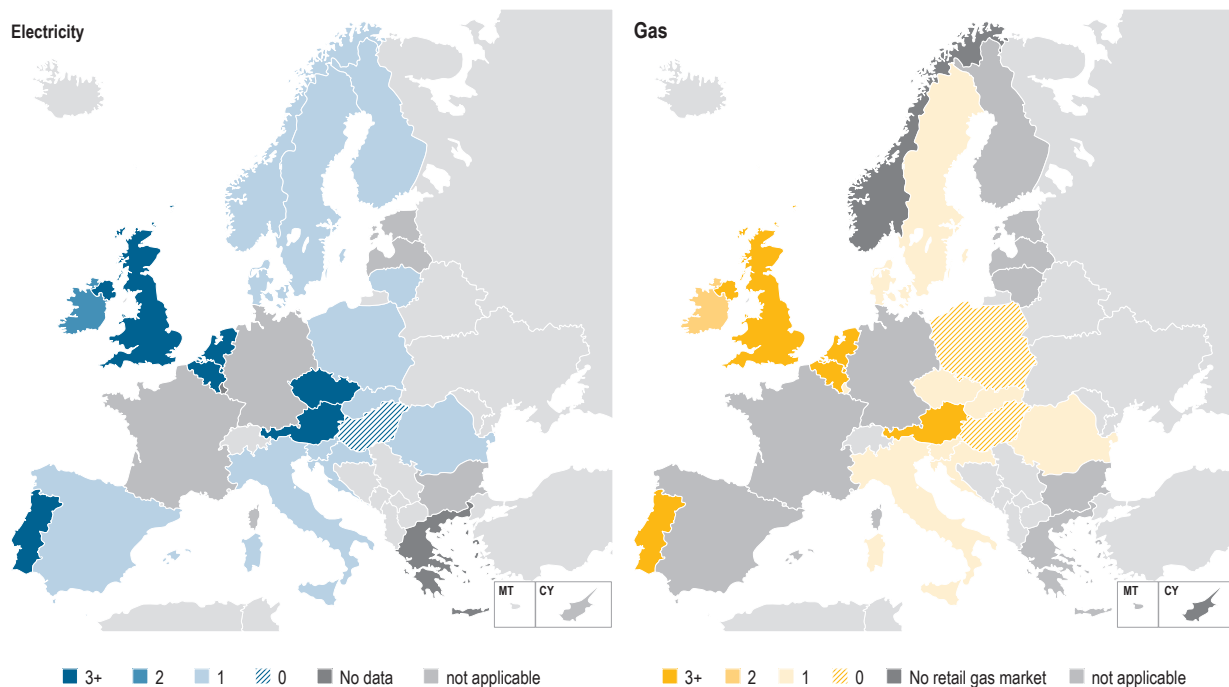
Source: CEER 2018

19 The GGPs on CTs are available online: <https://www.ceer.eu/documents/104400/-/-/239d07c5-8512-7750-fbe6-d69f9233db60>.

6.2.2 Availability

102 As shown in Figure 18, according to NRAs, reliable CTs are available in 19 countries for electricity and in 15 countries for gas. There are MSs with multiple reliable CTs, such as GB (11), AT and CZ (3), PT (4), and IE (2). In most countries with 1, 2 or 3 CTs, NRAs or authorities dealing with consumer protection operate CTs. Yet, private companies also run CTs in several MSs. Only PT has a verification scheme for CTs.

Figure 18 Number of reliable comparison tools in EU MSs – 2017



Source: CEER 2018

7. Complaints and ADR

103 According to the provisions of the Third Package, NRAs must monitor complaints made by household consumers.

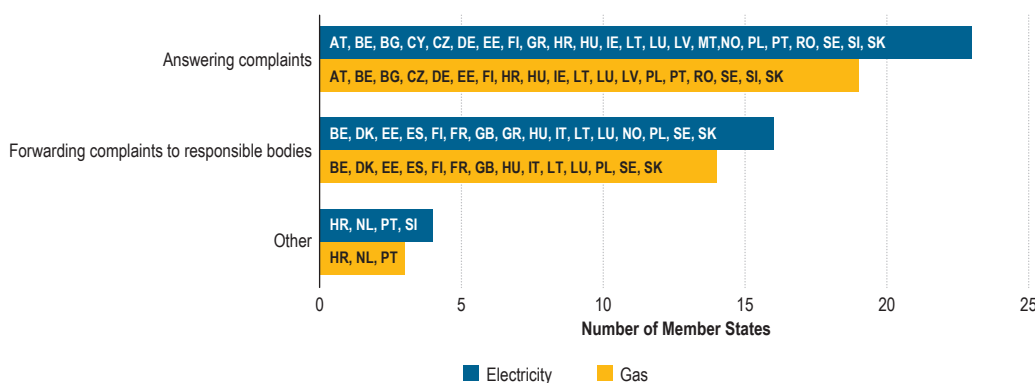
7.1 Complaint handling bodies and procedures

104 The Electricity and Gas Directives state that MSs should introduce speedy and effective complaint handling procedures. MSs need to

- Assign roles and responsibilities in handling consumer complaints;
- Design a process on how to handle consumer complaints.

105 In most MSs, the role of dealing with final consumer complaints (see Figure 19) has been assigned to NRAs. In several MSs, NRAs also forward complaints to other responsible parties. Only in 4 MSs, NRAs have other roles than the ones mentioned above.

Figure 19: Role of NRAs in complaint handling in EU MSs – 2017 (number of MSs)



Source: CEER 2018

106 First and foremost, consumers will complain to their contractual counterparty in energy affairs, i.e. their supplier and/or the DSO. In 18 MSs for electricity and in 15 MSs for gas, DSOs report such complaints to NRAs. In 15 and 16 MSs, respectively for electricity and gas, also suppliers report such complaints to the NRA. In very few MSs (BE, DE, GB and LU), the Alternative Dispute Resolution (ADR) body or the (Energy) Ombudsman also reports data on consumer complaints to the NRAs. In 7 MSs in electricity and 6 MSs for gas, no obligations to report data to the NRA on consumer complaints exist.

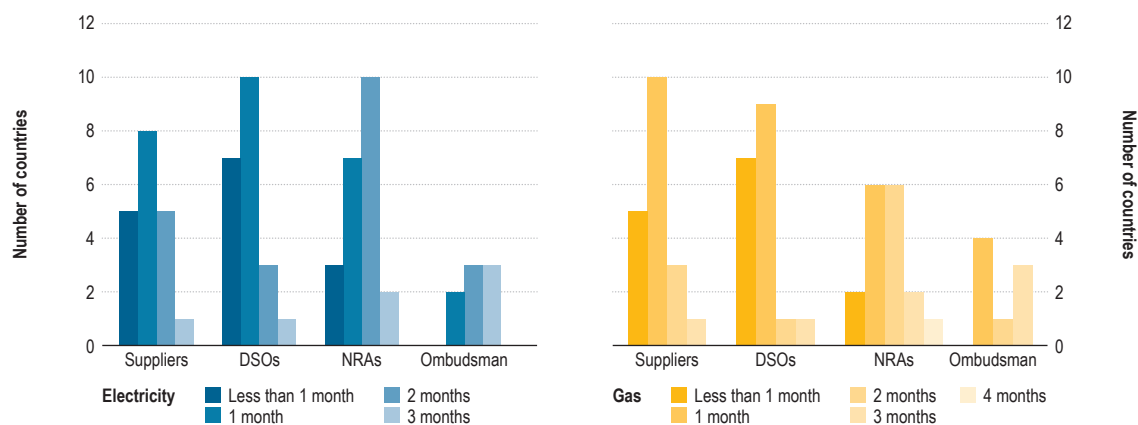
107 In many MSs, NRAs also publish findings about final household consumer complaints (13 MSs in electricity and 11 MSs in gas). While DSOs only publish complaint data in 3 MSs for electricity and 2 MSs for gas, suppliers do so in 4 MSs in both electricity and gas. Apart from NRAs, ADR bodies (in 8 MSs in electricity, in 6 in gas) must most often publish their own findings about consumer complaints. While publication responsibilities thus vary across Europe, information about what consumers complain about and how often they do so appears to be widely available due to mandatory reporting requirements, except for those MSs (7 for electricity and 4 for gas) where none of the listed bodies must publish complaint data²⁰.

108 Information about where and how to complain must be made available in electricity and gas consumer contracts, bills or even advertising material in all MSs. In most MSs, such information is even mandatory in contracts and bills. In the majority of MSs, some complaint information is also necessary on advertising materials and other information leaflets.

20 According to NRAs, no publishing obligations exist in IT, EE, SK, NL, NO, SE, FI and MT.

109 To speed up complaint services, a short legal maximum processing time is set for the various market actors (see Figure 20). In most MSs, suppliers and DSOs are requested to respond to consumer complaints within one month or faster. NRAs and Ombudsman are given somewhat more time to handle complaints due to their role and responsibility in acting as a balanced and neutral party between energy service companies and consumers.

Figure 20: Legal maximum processing time to handle complaints in EU MSs– 2017 (number of MSs)



Source: CEER 2018

7.2 Complaint data

110 This Section comments on the number of final household consumer complaints directly addressed to NRAs, suppliers, DSOs or ADR/Ombudsman/other entities. Furthermore, categories of consumer complaints are presented in this Section, to monitor the reasons for consumer dissatisfaction.

7.2.1 Number of complaints

111 The number of final household consumer complaints received by NRAs, suppliers, DSOs or ADR/Ombudsman/other entities in electricity and gas continuously vary enormously across MSs. This is mainly due to differences in handling and reporting procedures in MSs without a prejudice to the quality standards for the service across the MSs. Hence, a cross-national comparison of the number of complaints is challenging and robust conclusions about consumer protection and market-functioning are difficult to draw from such comparison.

112 Even a cursory look at the reported data sheds some light on the challenges in monitoring complaints at both the European and national levels. In total, 6.2 million complaints in electricity and 1.8 million complaints in gas to either suppliers, DSOs, ADR bodies, Ombudsman and NRAs have been reported by NRAs in 2017. That equals approximately 1,200 complaints in electricity per 100,000 European inhabitants and 350 in gas. The main receivers of complaints are:

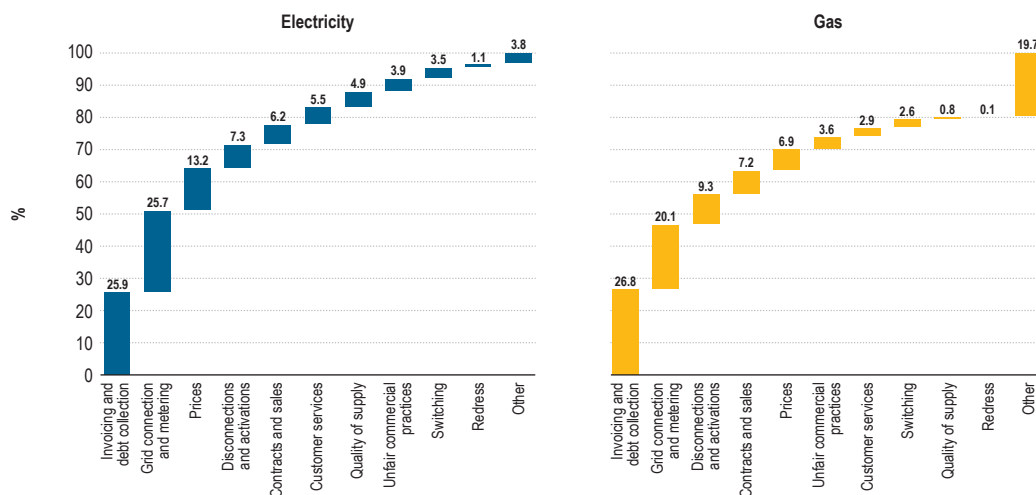
- Suppliers receive the main share of complaints: in 2017, 5.6 million complaints in electricity and 1.6 million in gas. However, data on complaints received by suppliers is only reported by 12 NRAs (out of 29). The other NRAs are not able to submit numbers of complaints received by suppliers.
- DSOs also receive many complaints; however, much fewer of them compared to those received by suppliers (585,000 complaints directed at electricity DSOs and 169,000 at gas DSOs).
- NRAs also receive complaints. In total, 22 NRAs report a total of 43,000 complaints for electricity and 20 NRAs a total of 14,000 complaints for gas. The numbers of complaints directly addressed to NRAs vary significantly across MSs, also because of the NRA's national role in complaint handling (as already shown in Figure 19)²¹.

21 In electricity, the range of complaints directly addressed to NRAs is 0 (in DK and FR) to 14,588 (PT); in gas the range is 0 (in DK, FR, GB and LU) to 6000 (CZ). Only 4 additional NRAs report more than 1000 complaints for electricity and 3 NRAs for gas. Most other NRAs report figures below 1000 complaints. In total, the following classification is based on approximately 43,000 complaints directly addressed to NRAs concerning electricity and 14,000 concerning gas.

7.3 Classification of consumer complaints

- 113 Figures of complaints directly addressed to NRAs²² appear to be more comparable than data on complaints submitted to suppliers or DSOs, since they are better reported across more MSs. A MS level average classification of all complaints addressed to NRAs gives a better understanding about consumers’ complaints²³.
- 114 Figure 21 shows that, on average, 26 percent of all electricity complaints concern invoicing and debt collection, followed by complaints on grid connection and metering, prices and disconnection and activation²⁴. Switching is only of concern in 3 out of 100 electricity complaints. Likewise, unfair commercial practices do not constitute a major cause of concern (anymore). These two latter findings signal some important change compared to previous years when switching and unfair commercial practices featured more frequently in complaints to NRAs.
- 115 In gas, the three main categories of complaints are: invoicing and debt collection, grid connection and metering, and disconnections and activation²⁵. Hence, the topics of complaints in gas are similar to those in electricity. Switching issues and unfair commercial practices also do not seem a major concern for gas consumers.

Figure 21: Average national shares of types of final household consumer complaints directly addressed to NRAs for EU MSs and Norway – 2017 (%)



Source: CEER 2018

7.4 Alternative dispute resolution

- 116 According to Article 3 of the Electricity and Gas Directives, MSs should design an “independent mechanism, such as an energy Ombudsman or a Consumer Body to ensure the efficient treatment of complaints and out-of-court dispute settlements”. All MSs but EE have implemented an ADR mechanism for both electricity and gas. Furthermore, an ADR is available free of charge for final household consumers in most MSs. Consumers must pay a fee for the ADR service in HR, DK, and NL, which might be refunded in case of success.
- 117 As shown in Figure 22, most often MSs have assigned the role of ADR in both electricity and gas to the NRA. Non-energy sector specific third parties, such as non-sector specific consumer organisations, come in second place. Figure 22 also demonstrates that MSs have frequently shied away from designing energy sector-specific third parties as ADR mechanism. Ombudsman also remains a minority choice when it comes to alternative dispute settlement.

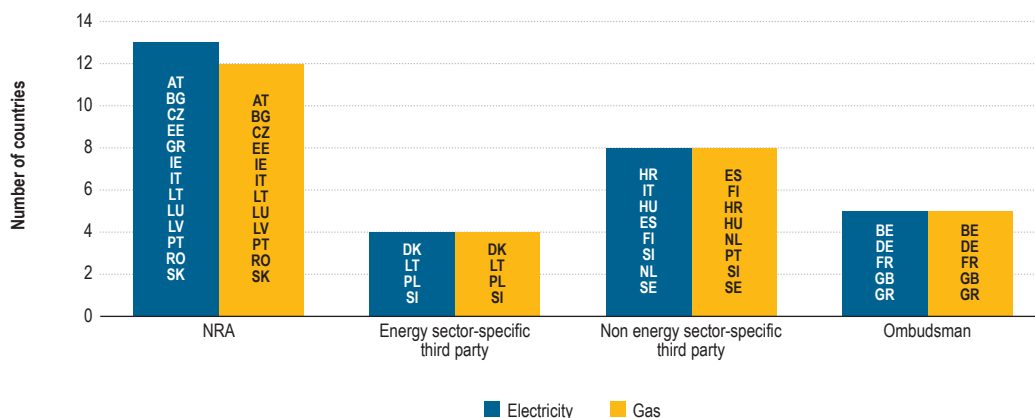
22 In their capacity as NRA, not as ADR.

23 For the presentation of the types of consumer complaints, we do not apply any population weighting. We neither account for the number of complaints reported by each NRA. Resulting figures thus refer to country-level average percentages of complaints in the various categories.

24 Findings based on data reporting from 20 NRAs.

25 Findings reflect the average national percentages of 14 NRAs.

Figure 22: Entities responsible for ADR in EU MSs – 2017 (number of MSs)



Source: CEER 2018.

- 118 In 2017, the most common way to provide household consumers with relevant information on the ADR body is to include the contact information in the supply contract (in 18 MSs in electricity and in 15 MSs in gas), and/or bill (in 19 MSs in electricity and in 16 MSs in gas). In one MS, such information requirement is not mandatory (CY); in a few other MSs this information is either optional on contracts or bills or could be found somewhere else (e.g. BG, HR, EE and SI).
- 119 Once a dispute is filed, responsible parties have, in many MSs, an obligation to meet legal maximum processing times. These vary substantially across MSs and can reach up to six months in more complex cases. In general, however, most ADR bodies must issue a recommendation or solution no longer than three months after a dispute was filed. In some MSs, ADR bodies are expected to work significantly faster. For instance, in LV and ES, ADR bodies should reach a conclusion within one month.
- 120 Finally, ADR bodies across Europe settled 72.581 disputes in total according to NRA reports . However, only 13 NRAs can report the number of ADR disputes in electricity and 12 can do so in gas.

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