ACER

Agency for the Cooperation of Energy Regulators

CEER

Council of European Energy Regulators

The 4th Annual Report on Monitoring the Electricity and Natural Gas Markets

Brief overview

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Eastern Partnership Workshop
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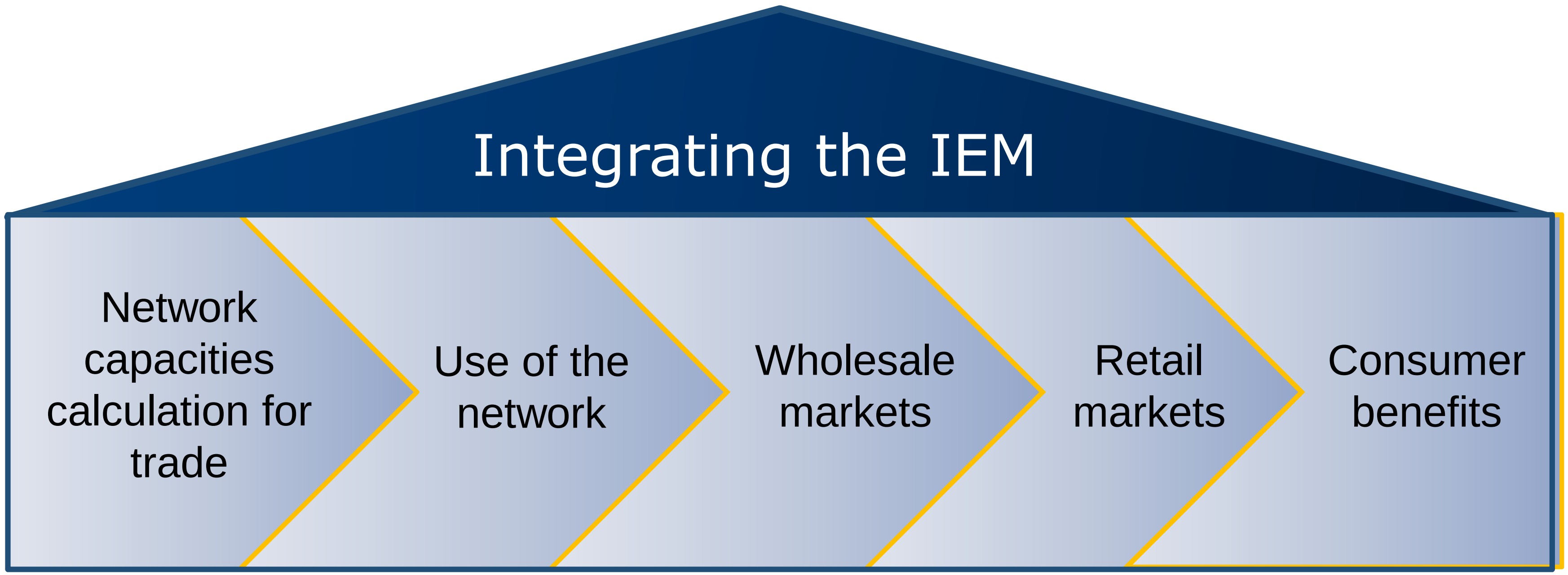
Market monitoring

The Market Monitoring Report provides an in-depth year-on-year analysis of developments in the IEM and on the remaining barriers to its well-functioning, formulating recommendations

The Reports are available at: http://www.acer.europa.eu/Electricity/Market%20monitoring/Pages/default.aspx

Context



Integrating the IEM
Network capacities calculation for trade
Use of the network
Wholesale markets
Retail markets
Consumer benefits

Outline

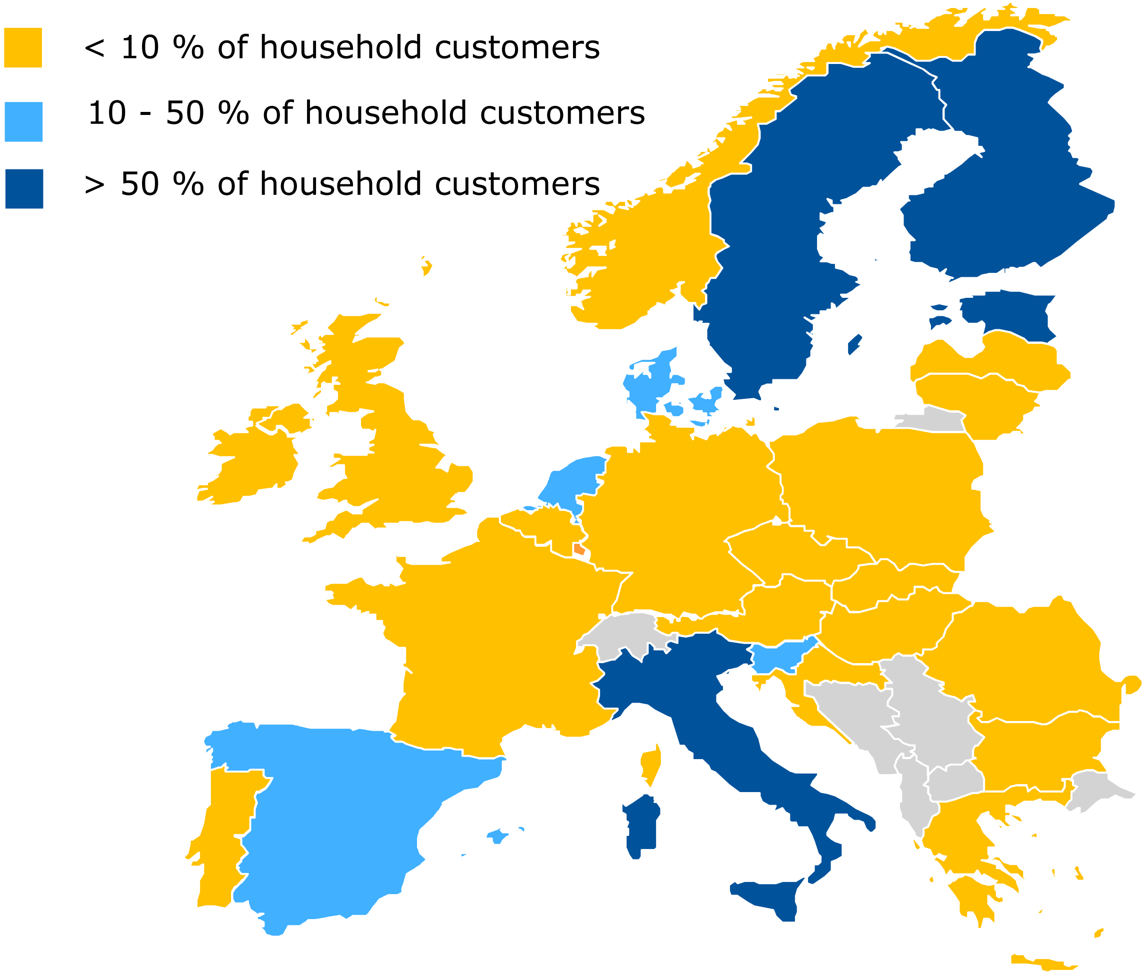
- Consumer protection and empowerment
- Electricity and gas wholesale markets
- Electricity and gas retail markets

Main insights:

- **Public service obligations** have been widely implemented
- **Disconnections** are not monitored everywhere
- Varied definitions of the concept of **vulnerable customers**
- Varied regulation on the provision of **customer information**
- **Smart meters** increasingly rolled out across Europe
- Majority of **complaints** are related to price, contract or billing related issues
- **DSO service quality** lags behind CEER recommendations

Smart meters

Share of household customers equipped with smart meters for electricity in 2014

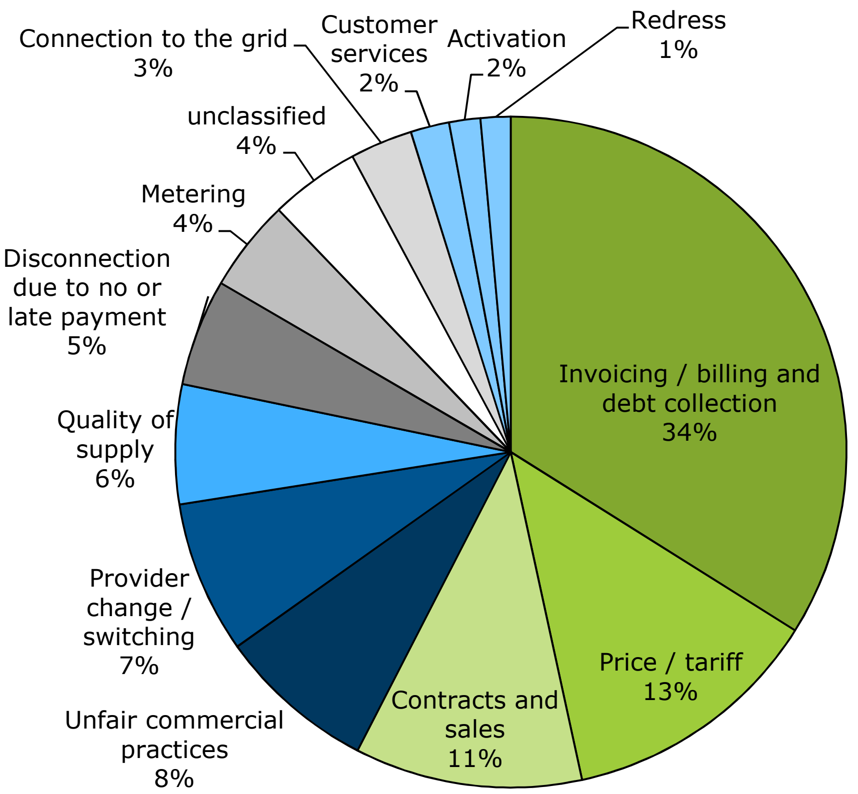


Approximately half of MSs have minimum technical and other requirements in their legislation to ensure benefit for consumers

Source: CEER Database, National Indicators (2014-2015).

Consumer complaints

EU average share of final household customer complaints addressed directly to NRAs, weighted by total number of complaints (electricity: in total 62,728 complaints)



"Price, contract or billing related issues" ~ 58 %

"Service related issues" ~ 26 %

"Others" ~ 12 %

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  - Electricity wholesale markets
  - Gas wholesale markets
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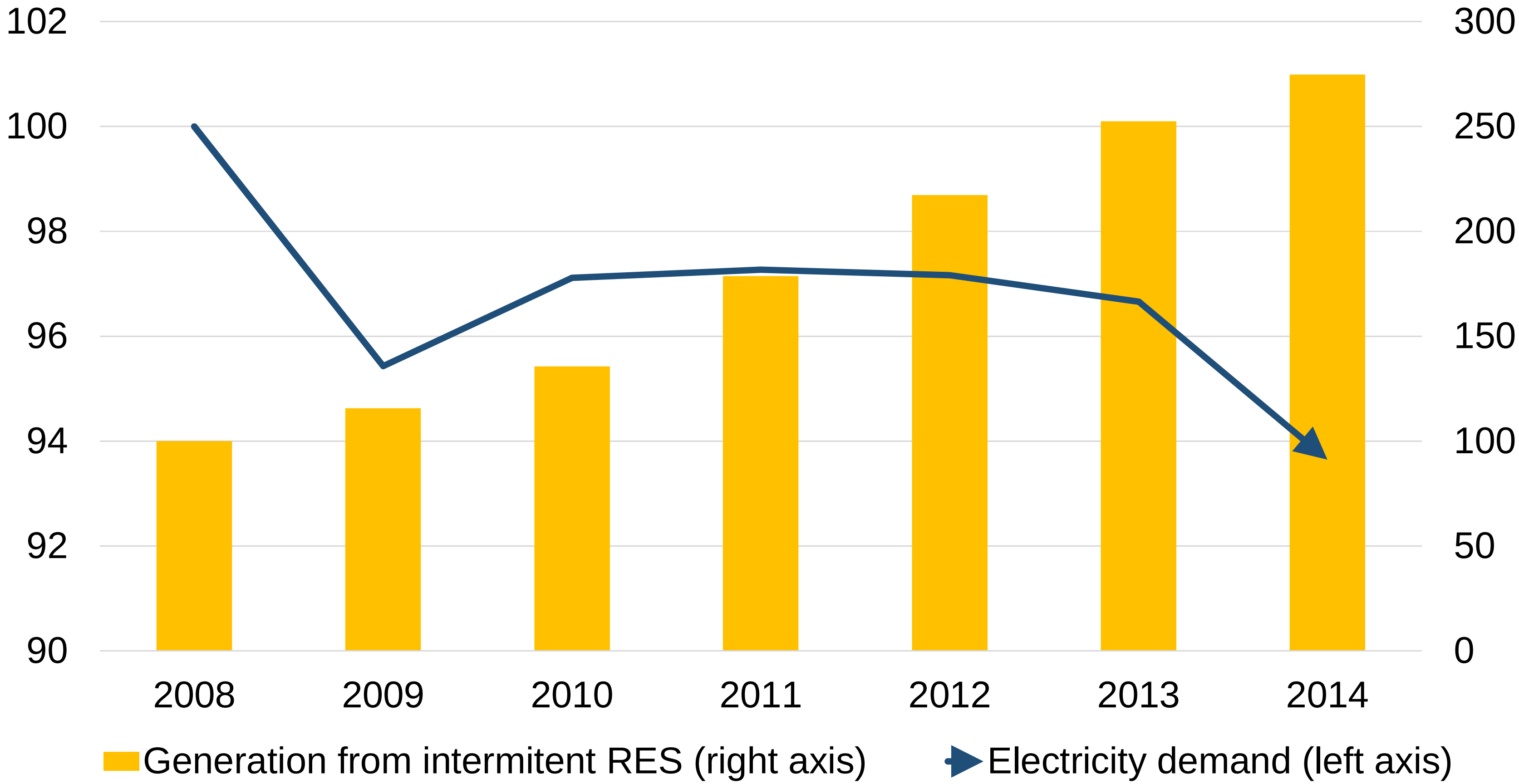
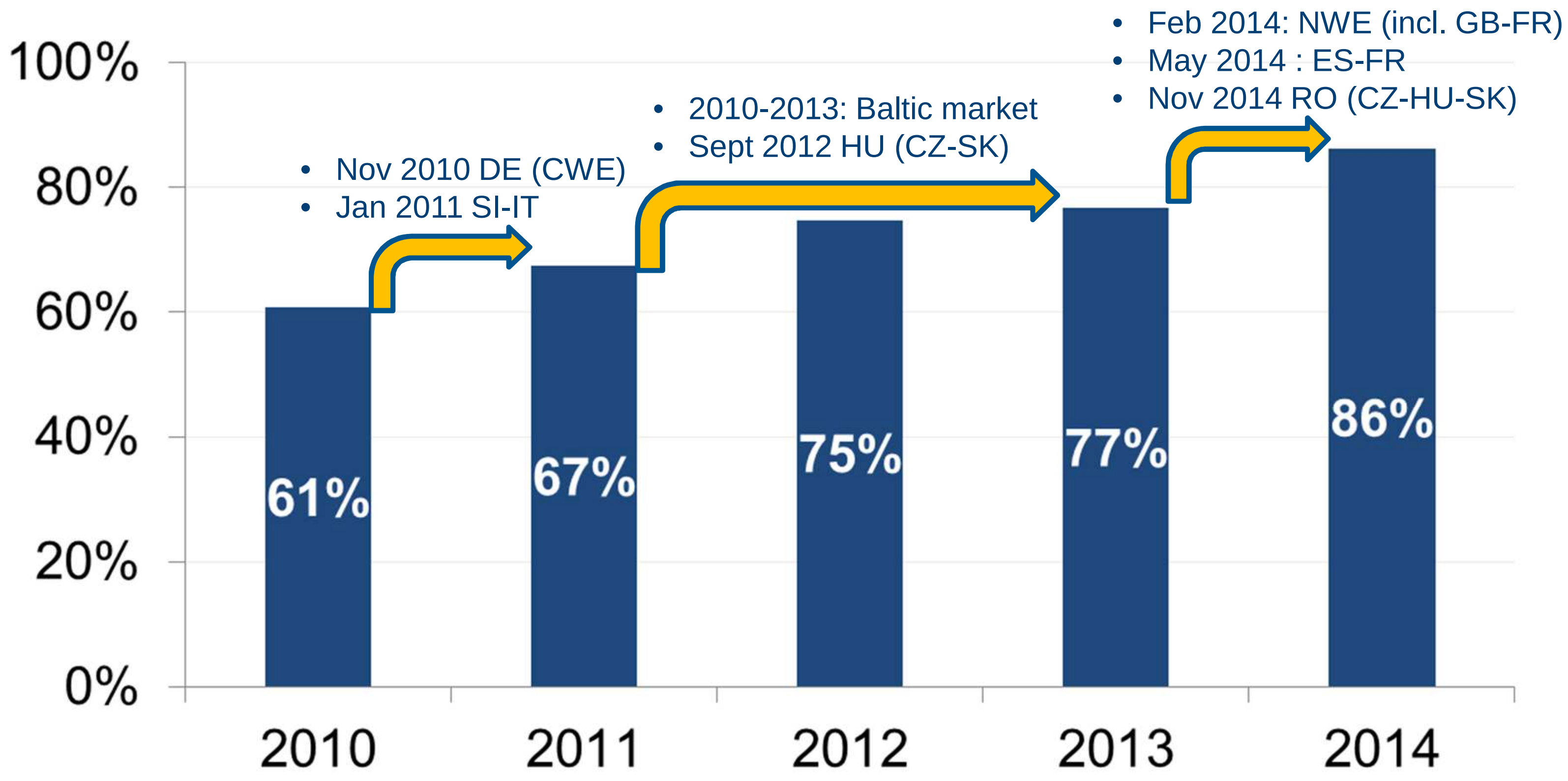
In 2014 electricity demand decreased (-6% since 2008) while RES generation continued to increase (almost tripled since 2008)

Evolution of electricity demand and generation from RES in Europe - for both demand and RES generation – 2008=100



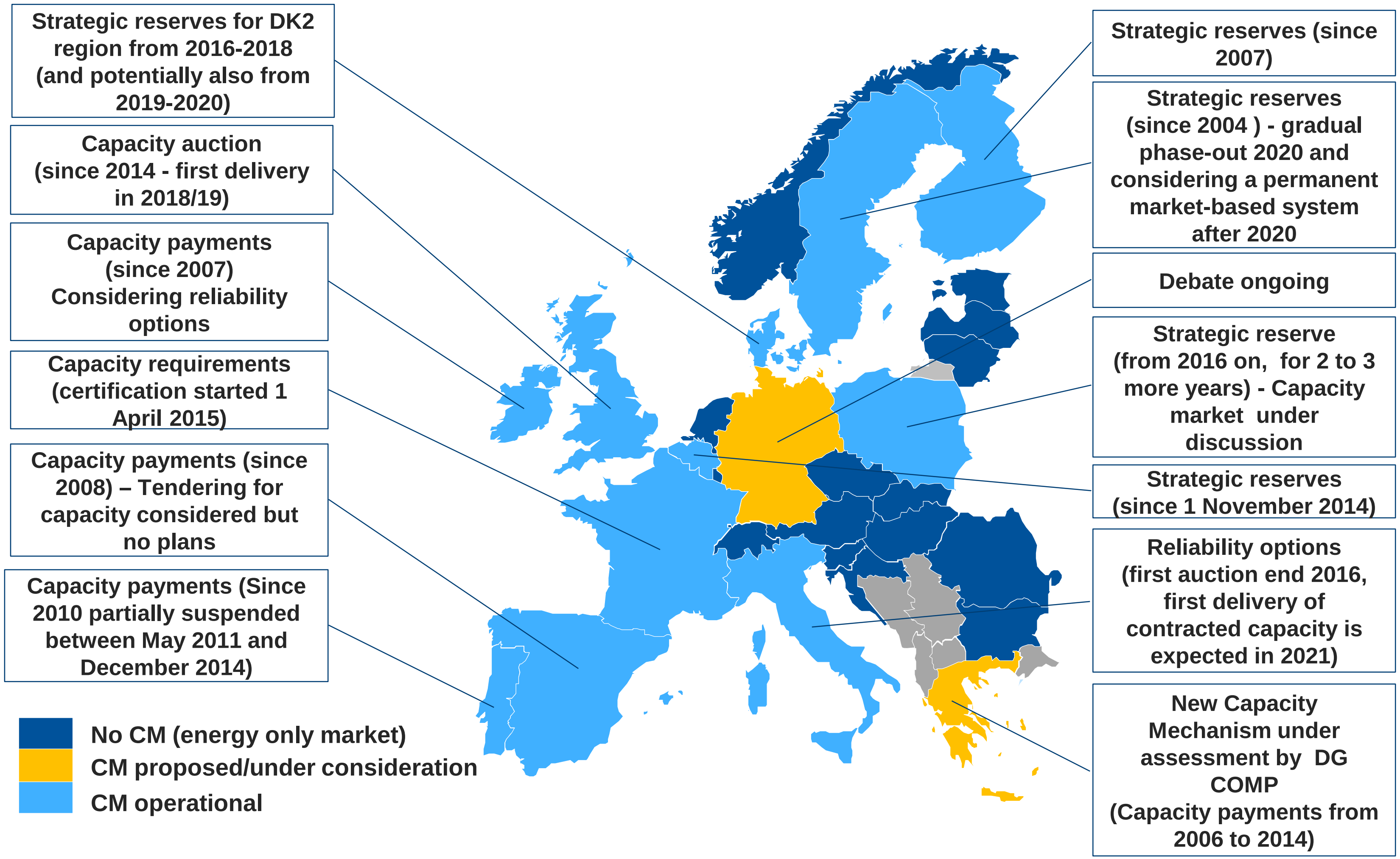
Day-ahead market coupling has enabled a more efficient use of available cross-zonal capacity and helps price formation of hedging products

Percentage of available capacity (NTC) used in the 'right direction' on all EU electricity borders – 2010-2014 (%)



Uncoordinated development of Capacity Mechanisms (CM)

State of play – September 2015



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The completion of the Internal Gas Market is progressing, but national markets are at different stages of development

Gas price formation is more and more driven by gas-on-gas competition factors

Renegotiation of existing long-term contracts to include hub indexations

Lower demand within the EU

Lower demand for LNG globally

Still, in many MSs long term contracts drive the price

Supported by…

Hub development

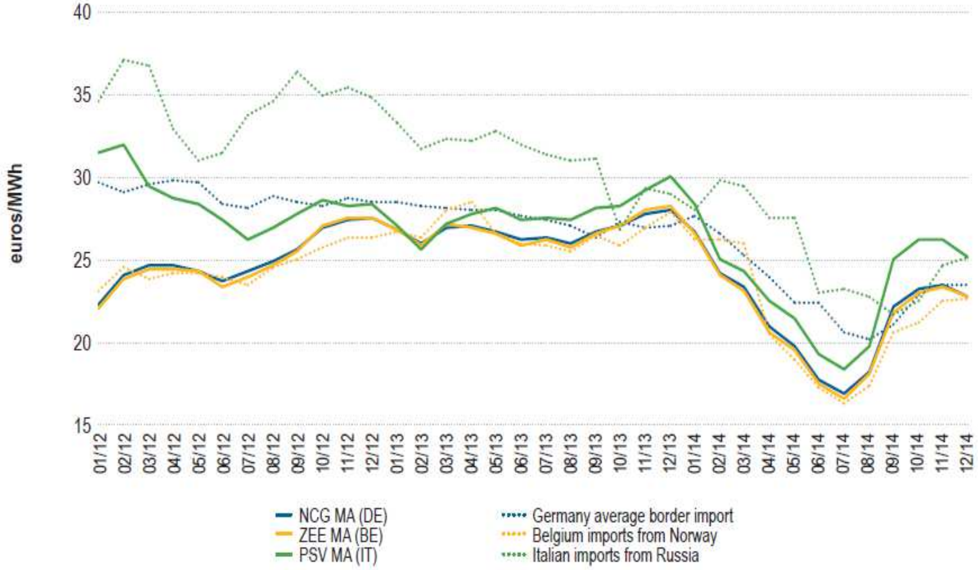
But some MSs have illiquid hubs

Enhanced infrastructure interconnectivity

But some MSs still depend on one supply source

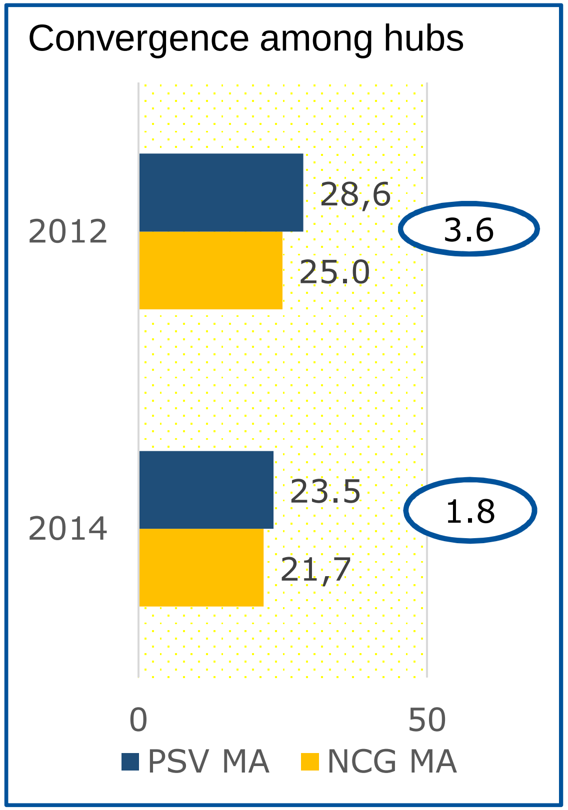
Overall EU gas wholesale prices decreased in 2014, also driven by lower oil prices

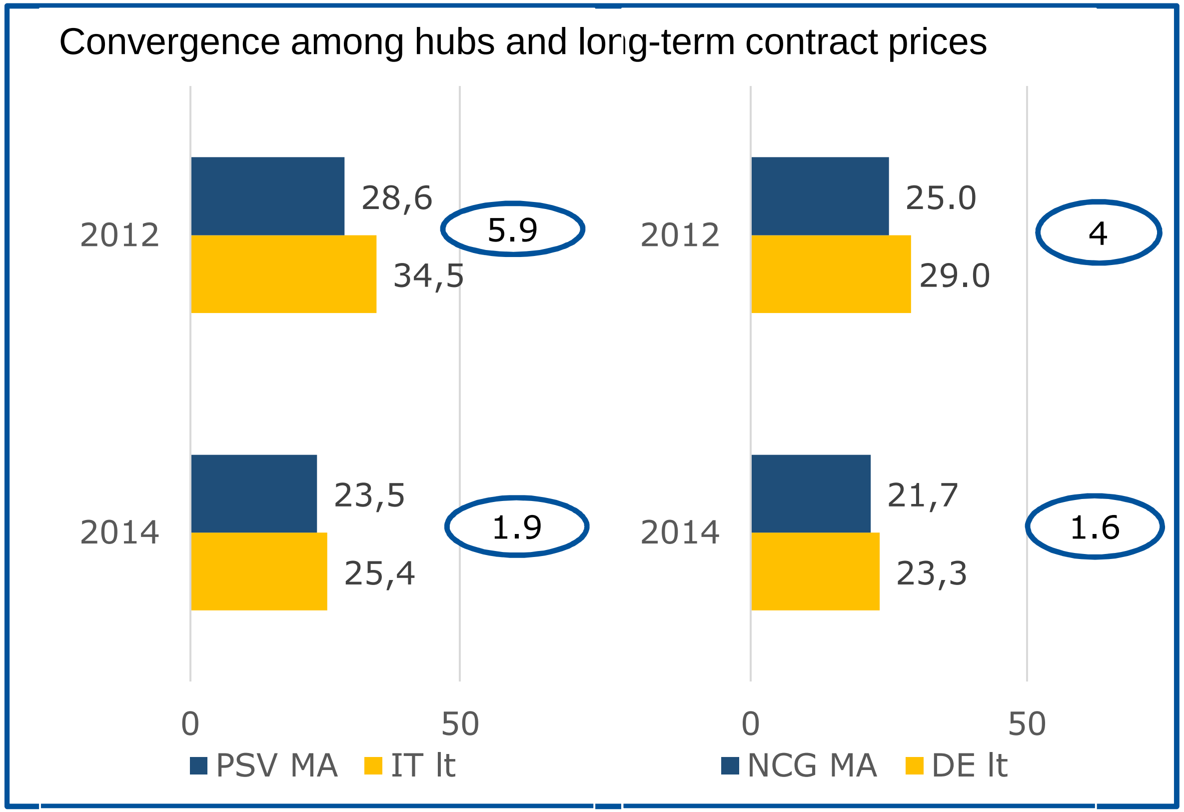
Comparison of selected EU MSs hub and cross-border import prices – 2012 to 2014 (euros/MWh)



There is an increasing price convergence among EU hubs as well as a narrowing gap between hub and long-term contract prices

Comparison of Italian and German hub and border import prices – 2012 to 2014 – yearly average price in euros/MWh





Source: ACER estimates based on Eurostat Comext, BAFA and Platts.

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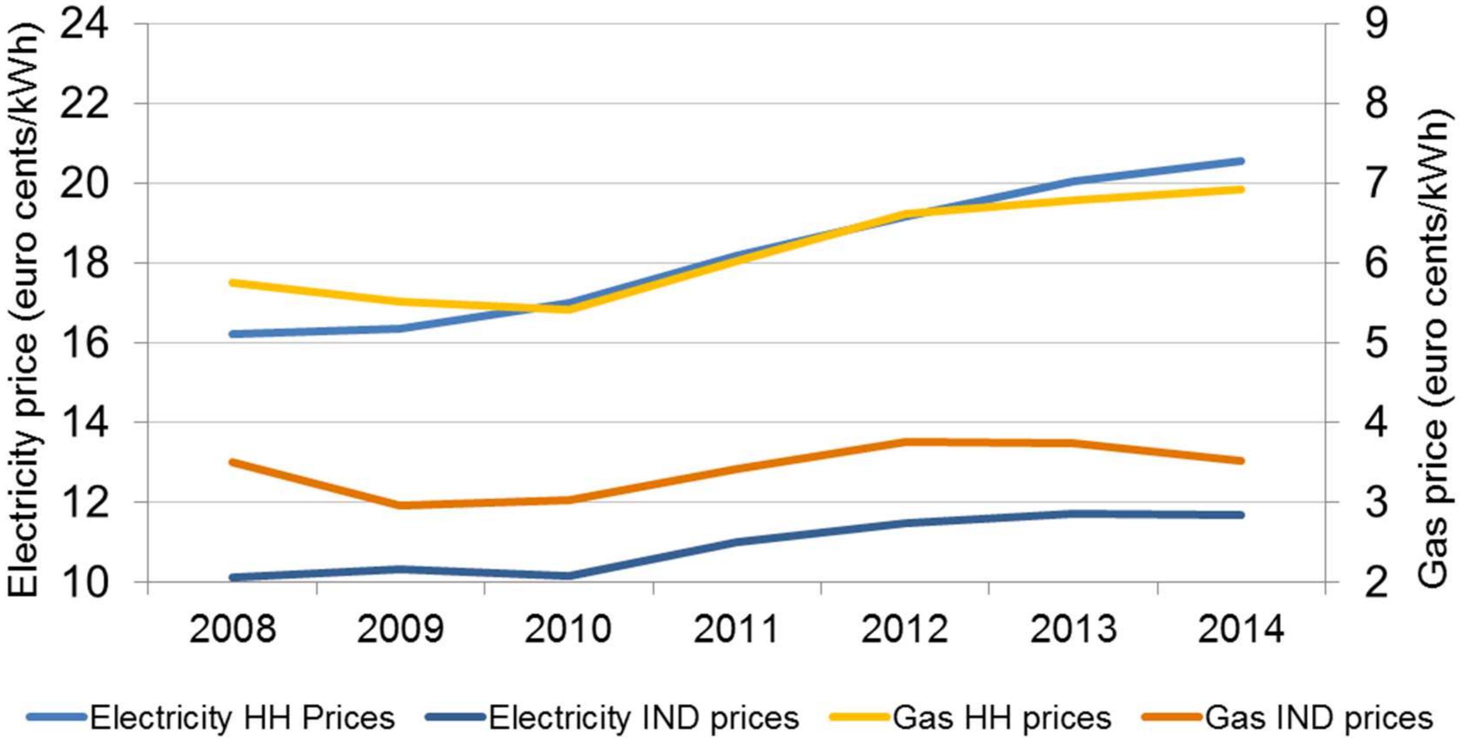
The trend of rising final end-user prices seems to be changing for industrial consumers

Post-tax EU28 retail prices from 2008 to 2014 (euro cent/kWh)



Wholesale energy prices have been decreasing over the same period

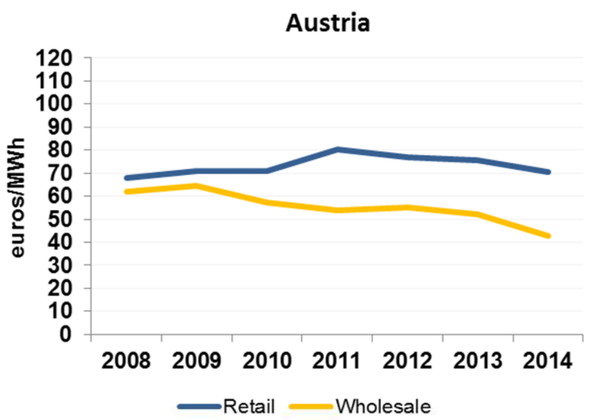
Non-contestable component increased in the majority of countries

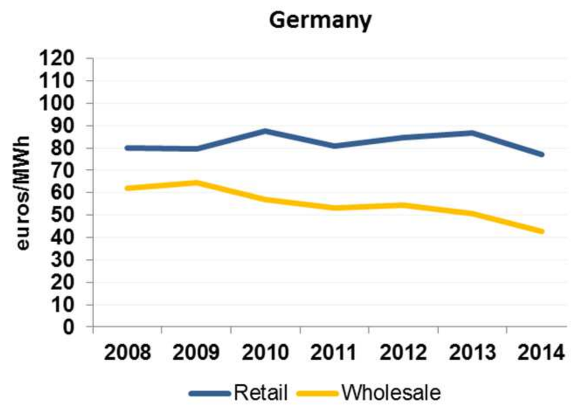
Demand fell

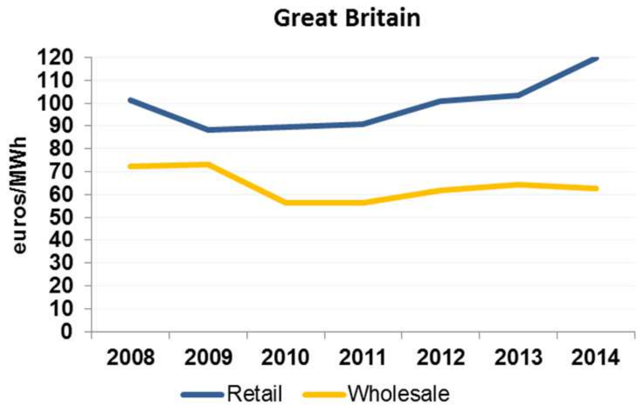
Industry benefits much more from retail competition than household consumers

Relationship between the wholesale electricity price and the energy component of the retail electricity price for household and industrial consumers in a selection of countries 2008 to 2014 - (euros/MWh)

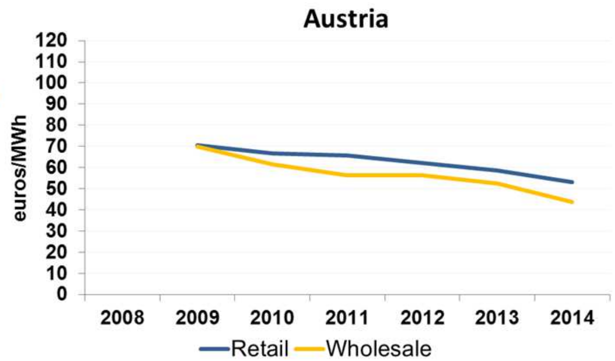
Households

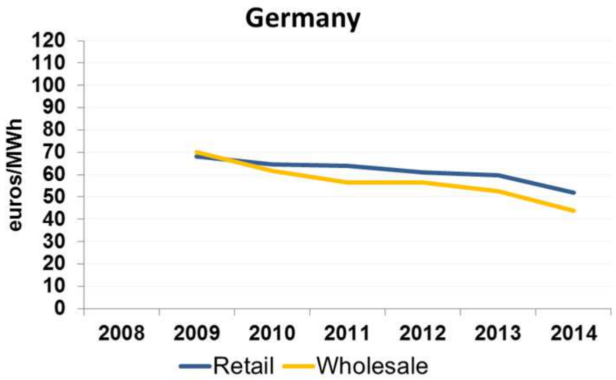


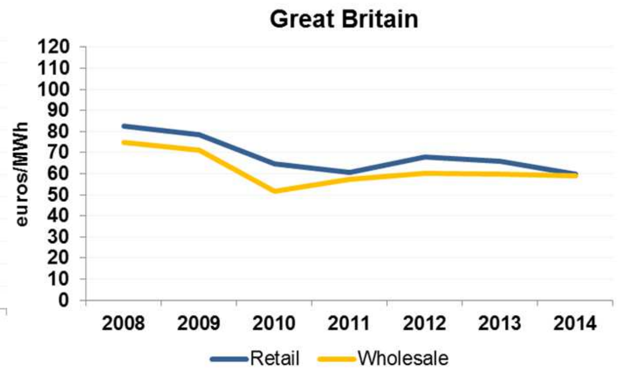




Industry



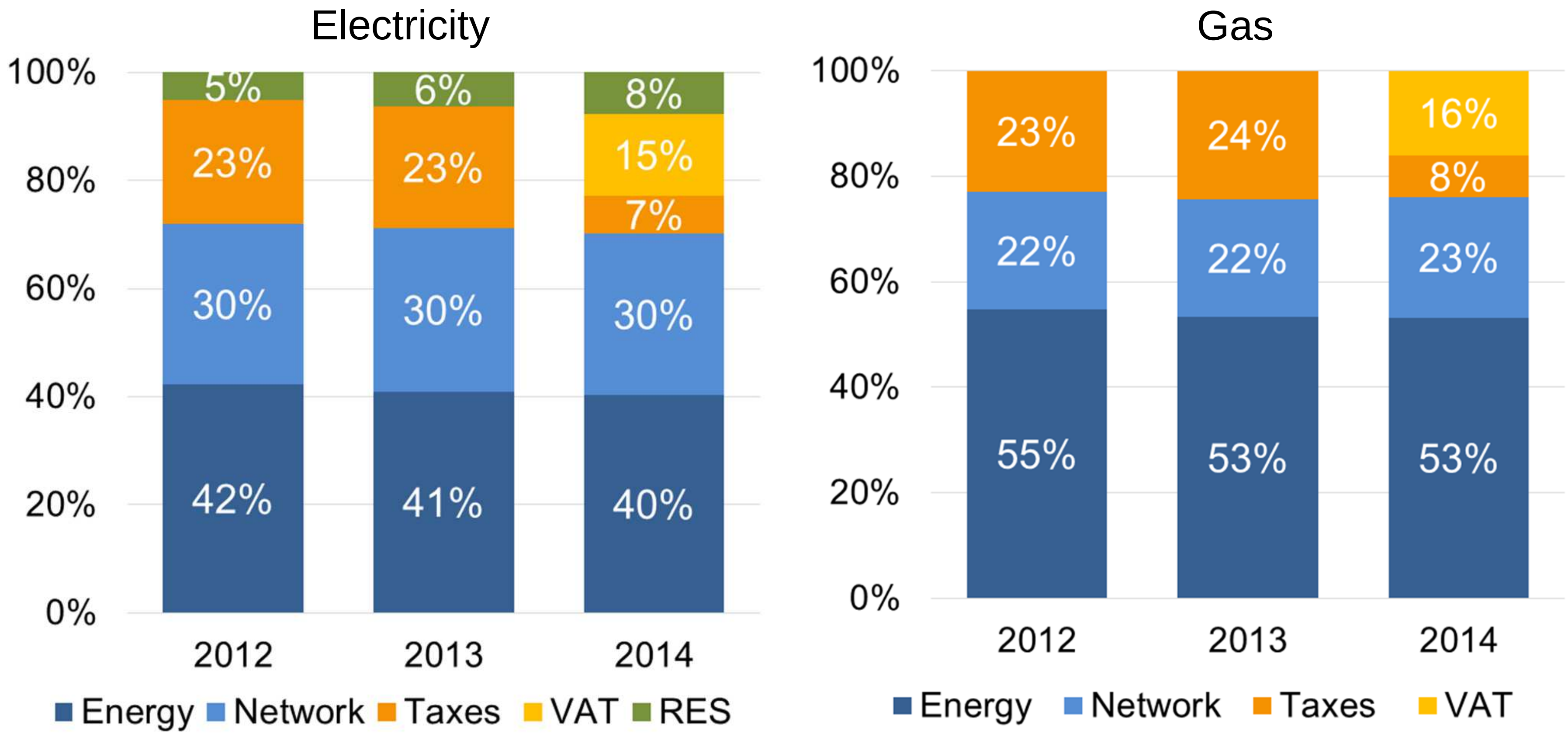




Source: ACER Database, Eurostat, NRAs and European power exchanges data (2014) and ACER calculations.

RES and other non-contestable charges represent a larger part of the final household bill, more in electricity than in gas…

Post-tax retail price breakdown – incumbents' standard offers for households in capital cities – 2012-2014 (%)



Source: ACER retail database and information from NRAs (2014).

MMR 2015

- **New structure and process foreseen**
  - **MMR 2015 will consist of 5 documents**

SUMMARY
Wholesale Electricity Market
Wholesale Gas Market
Retail Energy Market
Consumer Protection and Empowerment

overview of all chapters
= **main document**
last document to be released

Each thematic chapter will be released separately after its completion


Thank you
for your attention
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