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Monitoring Report on the Performance of European Retail Markets in 2018

CEER Report

Monitoring Retail Markets WS
of
Customers and Retail Markets WG

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INFORMATION PAGE

Abstract

This document (C19-MMR-99-02) presents the Monitoring Report on the Performance of European Retail Markets in 2018.

ACER and CEER jointly publish the “Annual Report of the Results of Monitoring the Internal Electricity and Natural Gas Markets”, which includes retail-and consumer-focused volumes. The main objective of this CEER report on retail energy markets is to provide further analysis on some of the most important aspects of retail markets, allowing a more in-depth and comprehensive understanding of their performance and evolution. The report intends to provide a valuable input to the implementation of the “Clean Energy for All Europeans Package”.

Target Audience

European Commission, energy suppliers, investors, traders, gas/electricity customers, gas/electricity industry, consumer representative groups, network operators, Member States, academics and other interested parties.

Keywords

Electricity retail markets, Gas retail markets, Market structure, Entry/Exit activities, Market concentration, Consumer issues, Supplier switching, Offers, 3rd Package, Market monitoring, Price regulation, Intervention in price setting, Clean Energy for All Europeans Package, National Regulatory Authorities (NRAs), Herfindahl-Hirschman Index

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Related documents

CEER Documents

CEER Benchmarking report on removing barriers to entry for energy suppliers in EU retail markets, 1 April 2016 (Ref: C15-RMF-70-03)

CEER Report on Implementing Technology that Benefits Consumers in the Clean Energy for All Europeans Package, 22 July 2019 (Ref: C19-IRM-16-04)

CEER 2017 Handbook for National Energy Regulators - How to assess retail market functioning, 24 January 2017 (Ref: C16-SC-52-03)

CEER Monitoring Report on the Performance of European Retail Markets in 2017, 17 December 2018 (Ref: C18-MRM-93-03)

CEER Roadmap to well-functioning retail markets - 2018 self-assessment status report, 9 February 2018, Ref. C17-SC-59-04

ACER-CEER Documents

Retail Volume of the ACER/CEER Annual Report on the Results of Monitoring the Internal Electricity and Natural Gas Markets 2014-2018

ACER/CEER Annual Report on the Results of Monitoring the Internal Electricity and Natural Gas Markets in 2018 – Consumer Empowerment Volume

External Documents

Regulation (EU) 2019/943 of the European Parliament and of the Council of 5 June 2019 on the internal market for electricity

Directive (EU) 2019/944 of the European Parliament and of the Council of 5 June 2019 on common rules for the internal market for electricity and amending Directive 2012/27/EU

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EXECUTIVE SUMMARY

The ACER conclusions paper "Energy Regulation: A Bridge to 2025"[1] highlights the importance of sustainable, secure and affordable energy for all European consumers which is at the heart of the EU's Internal Energy Market. Within this framework, the purpose of energy regulation is to ensure a level playing field in which competition can flourish and to provide a sound investment climate. In this context, a comprehensive monitoring of retail markets is vital to evaluate progress which benefits all consumers.

Recognising the importance of this monitoring function, and in line with EU requirements, every year ACER and CEER publish a set of volumes on the "Results of Monitoring the Internal Electricity and Natural Gas Markets"[2], including individual volumes analysing price developments and consumer empowerment issues in European Electricity and Gas Retail Markets.

The main objective of the present CEER report on retail energy markets is to provide further analysis on important aspects of retail markets, allowing a more in-depth and comprehensive understanding of their performance and evolution. The topics addressed are also highly relevant to the implementation of the "Clean Energy for All Europeans[3]" package.

The report consists of three chapters on retail market developments, examining market structures, switching rates and market regulation in Member States (MS) with a focus on changes between 2013-2017 (as average) and 2018 and case studies in some MS. The data used in this report stem entirely from NRAs' input to CEER's National Indicators Database.

The main conclusions of this years' report on the performance of European electricity and gas retail markets are as follows:

Number of suppliers

(1) Number of suppliers is one of the indicators to understand the market structures and competition dynamics. In 2018 there was an overall increase in the number of EU nationwide suppliers, in comparison to 2017. The EU average number of active nationwide suppliers per country in 2018 was around 40 in the gas sector and 60 in the electricity sector. National electricity and gas retail markets are in many countries still dominated by a few suppliers.

(2) The number of electricity suppliers for households that are active nationwide is the highest in Czech Republic, Norway and Spain, with 79, 81 and 215 suppliers respectively. In the gas market, the number of household suppliers that are active nationwide is the highest in Czech Republic, followed by Spain and Great Britain while the lowest number of suppliers active nationwide is found in Hungary, Lithuania and Luxembourg.

Entry-exit activity

(3) High numbers of entry-exit are vital for the well-functioning of retail markets. In 2018 there has been a similar entry/exit activity compared to 2017 in the household segment. New entrants, especially from foreign countries, can bring in new and innovative ways of operating.

(4) In the electricity sector, Italy and Spain were the countries with the highest net entry/exit balance (more companies entering than leaving the market). In the case of Spain 48 new suppliers entered the market while 20 exited the market and in Italy 62 suppliers entered and 40 exited the market. The country with the highest negative balance (with more companies leaving than entering) was Great Britain, which had a net balance of six companies leaving the market. Several factors contributed to these market exits. These include suppliers' approach

[1] https://www.acer.europa.eu/Official_documents/Acts_of_the_Agency/Pages/Recommendations.aspx

[2] https://www.acer.europa.eu/en/Electricity/Market%20monitoring/Pages/Current-edition.aspx

[3] https://ec.europa.eu/energy/en/topics/energy-strategy-and-energy-union/clean-energy-all-europeans

to hedging against the risk of increasing costs, aggressive customer expansion and the withdrawal of parent company support or third-party partners. There were also cases of poor governance and lack of sufficient investment in systems and processes to support adequate customer service provision.

(5) In the gas sector the country with most entries was Italy (42), which was also the country with the most exits (40), leaving the country with a net balance of two more suppliers in the household sector. The country with the highest net number of companies entering/exiting the market was Spain, where 16 companies entered the market and just four left. In addition, Italy was the country with the most new entrants coming from a different country (4).

Market concentration

(6) Low market barriers help foster the arrival of new competitors. New entrants contribute to the falling market shares of large suppliers, lower market concentration levels, more choice for customers and can bring in new and innovative ways of operating. Regarding market concentration, there has been an overall improvement across the past six years in both electricity and gas markets for household consumers along MS.

(7) Comparing 2017 and 2018 electricity and gas household Herfindahl-Hirschman Index (HHI) scenarios, it is noted that there has been a slight decrease in the EU HHIs related to a market competition increase.

(8) The countries with the lowest concentration ratio (CR3) are Great Britain, Norway and Sweden for electricity and Great Britain, Italy, and Croatia for gas. There are fifteen countries in electricity and twelve in gas with a CR3 equal or above 70%, in comparison to 2017, when there were thirteen countries in electricity and fourteen in gas with a CR3 equal or above 70%. When analysing jointly with the CR3 concentration by volume, it can be observed that the level of concentration is high and that a greater effort from policy makers to further boost competition is required.

(9) The results show that in only seven out of the 21 responding countries in electricity, the concentration measure HHI is below 2,000 proving high concentration in the EU household market. In the gas retail market there are three countries (Great Britain, Italy, Slovenia), out of the 18 responding MS, where the household market presents low market concentration with an HHI below 2,000.

(10) In the electricity market there are 13 countries out of the 21 responding countries that have low concentrated non-household markets according to their HHIs (<2.000), with Denmark and Romania having the lowest values. In the gas market, 9 countries, out of 19 responding, have an HHI below 2,000, with France having the lowest value.

(11) In the non-household sector there are six MS in electricity and nine in gas with CR3 equal/above 70% while in 2017 there were ten MS in electricity and eleven in gas with CR3 shares above 90%.

(12) It can be concluded that household markets for gas and electricity are more concentrated than non-household markets and that still a bigger effort is required to improve market structure.

Switching rates

(13) Well-functioning retail markets require the involvement of consumers in market activities. This involvement mainly refers to switching activities. External switching is defined as the voluntary action by which a customer changes his supplier. For electricity, the highest external switching rate for household customers in 2018 was reported by Norway (21,4%), which implies an even higher switching rate than the year before (18.8%). Other countries with a relatively high switching rate for electricity household customers by metering points in 2018 (at least 10%) are Finland, Germany, Great Britain, Ireland, Portugal, Spain and Sweden. With exception to Croatia, Finland, Poland and Portugal, switching rates in 2018 were higher than the average of the years from 2013 to 2017.

(14) The highest gas switching rate for 2018 for household customers was reported by Belgium (22%), the lowest by Bulgaria (0%) and Luxembourg (0.04%). Countries besides Belgium with a relatively high switching rate in 2018 (at least 10%) are France, Great Britain, Ireland and Portugal. Different to electricity, the comparison between the latest developments in 2018 and

the five preceding years does not show a clear trend. In some countries switching rates for gas household customers in 2018 were higher than the average from 2013 to 2017, while in some countries it is the other way around.

(15) Norway is the country with the highest increase in external switching rates in electricity, compared to the previous year (+2.6%). A significant increase was reported by France (+2.0%). This long-term trend is consistent with the rapid increase in the number of active suppliers since 2014, which has led to greater variety of products and sustained price differentials in the market and resurgence in direct sales activities. In addition, various information campaigns have contributed to raising consumer awareness about the benefits of engagement, with the internet becoming the main tool for consumers to compare tariffs and switching possibilities.

(16) The countries with the highest increase of the external switching rate in gas (at least 1%) compared to the previous year (2017) are Czech Republic, France, Ireland and Italy. In France this can be explained by customers switching from regulated tariffs to market offers in gas.

(17) Internal switching is defined as a change of product or contract with the same supplier (renegotiation/choosing a different option). Like external switching rates, the level of internal switching is quite different between MS. In 2018, the highest rates for electricity are reported by Great Britain and Poland, the lowest rate by Luxembourg. In gas, the highest rate is reported by Great Britain (32,5%).

(18) Only Bulgaria, Poland, Portugal and Spain reported any switching activities for regulated prices in 2018.

(19) Similar to the household segment, switching rates for non-household customers differ significantly across MS. For electricity, countries with a high switching rate are Czech Republic, Italy, Lithuania, Poland. Portugal, and Spain (at least 25%). Compared to electricity consumers, gas consumers switched obviously more above their average in the last years. This can be explained by the price developments in both sectors last year: the ACER-CEER Monitoring Report 2018 indicates that, while the electricity prices for industry fell on average, it increased by 13,4% in the gas sector.

Offers and product innovation

(20) A well-functioning market is characterised by innovation and the range of products and services offered to consumers. There is a positive trend in terms of offer variety in Europe: electricity consumers in 22 out of 27 MS have five or more options which is four more than last year. Usually, variety of offers and liberalisation go hand in hand.

(21) A positive development can particularly be observed in many Eastern and Southern European countries such as Croatia, Czech Republic, Greece, Latvia and Romania where the electricity consumers had access to at least three more offers compared to last year.

(22) The variety of gas offers is generally lower than the offers for electricity. Nevertheless, the trend is positive in this segment, too. The report shows that consumers have in 14 out of 23 countries the choice between five or more different type of offers (11 in 2017).

(23) For the first time, CEER collected data on the availability of bundled products: in the electricity sector bundled products are more disseminated than in gas. 18 out of 27 NRAs indicated the existence of bundled products in the electricity segment while this number is only 8 of 23 for gas.

(24) In this year's monitoring report, CEER took first attempts to assess developments in product, process and marketing innovation and their impact on competition and customer satisfaction, with focus on a French case study.

Price intervention and regulation

(25) In 2018, 14 countries in electricity out of 27 answering and 11 countries in gas, out of 25 answering, reported some kind of intervention in the retail price setting mechanism in the household segment. For the non-household segment, eight countries in electricity and five in gas reported having a price intervention, mainly in the form of regulated prices.

(26) In nine out of 14 countries (Bulgaria, Cyprus, France, Hungary, Lithuania, Malta, Spain, Poland and Portugal) with price intervention in electricity and in eight out of 11 in gas (Bulgaria, Croatia, France, Hungary, Spain, Portugal, Poland and Latvia), the form of intervention in the price setting is end-user price regulation, or a coexistence of price regulation and price intervention for vulnerable customers. In few countries only, like in Great Britain or Belgium, the price intervention concerns only the special price mechanisms for vulnerable customers.

(27) Compared to the total number of households, in two countries, Hungary and Poland, the number of households in the country benefiting from any kind of price intervention is above 90% for electricity and gas.

(28) France, Italy and Lithuania report on roadmaps for removing intervention in setting end-user prices. In Great Britain the safeguard tariff, which was a temporary measure to protect vulnerable customers with prepayment meters ('PPP cap') and these in receipt of a Warm Home Discount, ended on 1 January 2019 when the default tariff cap entered into effect. The PPM cap will continue to apply in parallel to the default tariff cap, which is also a temporary measure, but customers can only be protected by one of the caps.

1 Market structure

1.1 General overview

The 3rd Package that entered into force in September 2009, was enacted to fulfil several objectives of European energy policy, including, in particular, to complete the single and well-functioning energy market, where customers can benefit from more choice and lower prices. The expected outcome should lead to an increase in competition, transparency of retail markets, and reinforcement of consumer protection rules[4].

Ten years later, the EU agreed on a comprehensive update of its energy policy framework to facilitate the transition away from fossil fuels towards cleaner energy and to deliver on the EU's Paris Agreement commitments for reducing greenhouse gas emissions. After political agreement by the Council and the European Parliament in 2018 and early 2019, new rules entered into force in May 2019 ("Clean Energy for All Europeans package"). Some provisions will have a direct impact over market performance in the upcoming years.

This chapter examines the main developments with regard to market structure in the electricity and gas sectors, which are an important element in understanding the level of competition and the overall functioning of energy retail markets. Although the European electricity and gas retail markets are still driven by many national differences, an aggregated analysis is aimed at delivering the overall impact of European legislation on selected aspects of European retail markets.

Since the 3rd Package allowed EU energy islands to be exempted from most, if not all of the acquis communautaire in energy, both on market design and the regulatory framework, Malta and Cyprus will be excluded from the market structure chapter analyses.

To start introducing the size and relevance of each market, figures 1 and 2 present the number of nationwide suppliers and consumers per country.

Taking a look at the total number of suppliers in the whole retail market, in the electricity sector Spain and Poland were the countries with the most nationwide[5] suppliers in 2018. Poland has 146 nationwide suppliers, 7 more than in 2017. On the other hand, Spain has 232 active nationwide suppliers, 19 more than in 2017, becoming the country that has experienced the highest increase in the number of nationwide suppliers. One of the reasons for this development can be seen in the recent facilitation of licensing procedures.

It is important to take a deeper look at the numbers in relative terms, since markets with more suppliers in absolute terms are normally bigger customer-wise. In relative terms, Norway, Latvia and Slovenia are the countries with the most nationwide electricity suppliers per consumer while Italy and France are the ones with the lowest number of electricity nationwide suppliers per consumer. Moreover, the majority of corporate companies (53%), are active in more than half of the Italian regions.

[4] A well-functioning retail market requires sufficient competition among suppliers, which tends to be positively related to the number of active suppliers and to DSOs acting as neutral and efficient market facilitators on a level playing field.

[5] Nationwide means offering the product throughout the whole country, while active supplier means having at least one customer.

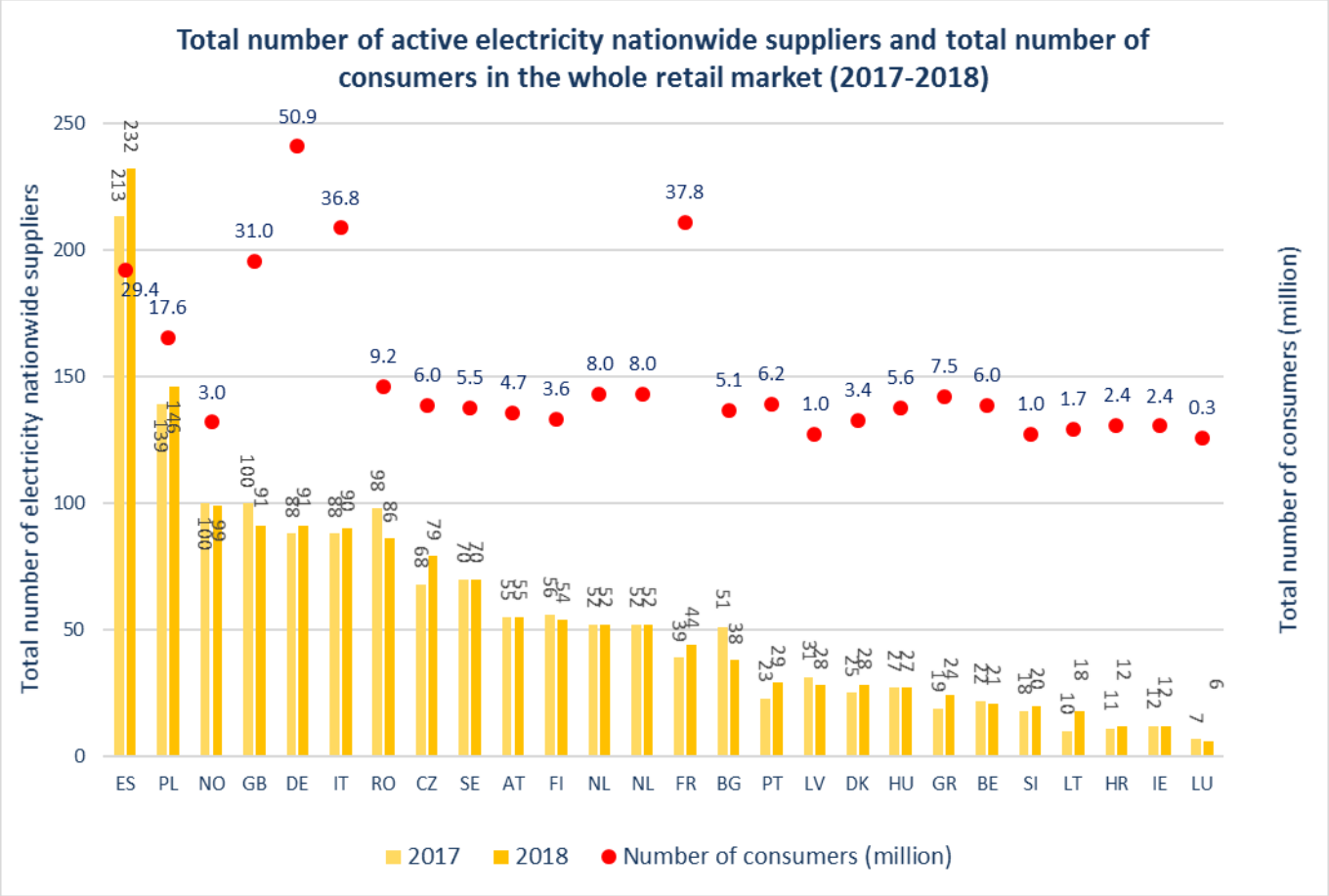


Figure 1: Total number of active electricity nationwide suppliers and total number of consumers in the whole retail market (2017-2018)[6]

In the gas sector, Czech Republic is the country with the most active nationwide suppliers (119), followed by Great Britain (97) and Spain (78). In addition, the countries with the highest increase in the number of available nationwide suppliers since 2017 are Austria (10) and Czech Republic (9). The Greek retail gas market with five more nationwide suppliers became fully competitive on 1 January 2018. A great number of suppliers had obtained their licenses previously, yet had remained inactive due to market structure. Bulgaria is the country with the most nationwide suppliers per consumer.

[6] The number of Italian nationwide suppliers is calculated according to the actual sales they have made in the national territory in the reference year, and it is not based on offers. Therefore, Italian data are not strictly comparable with those of other countries and are underestimated. Therefore, they should be taken with caution.

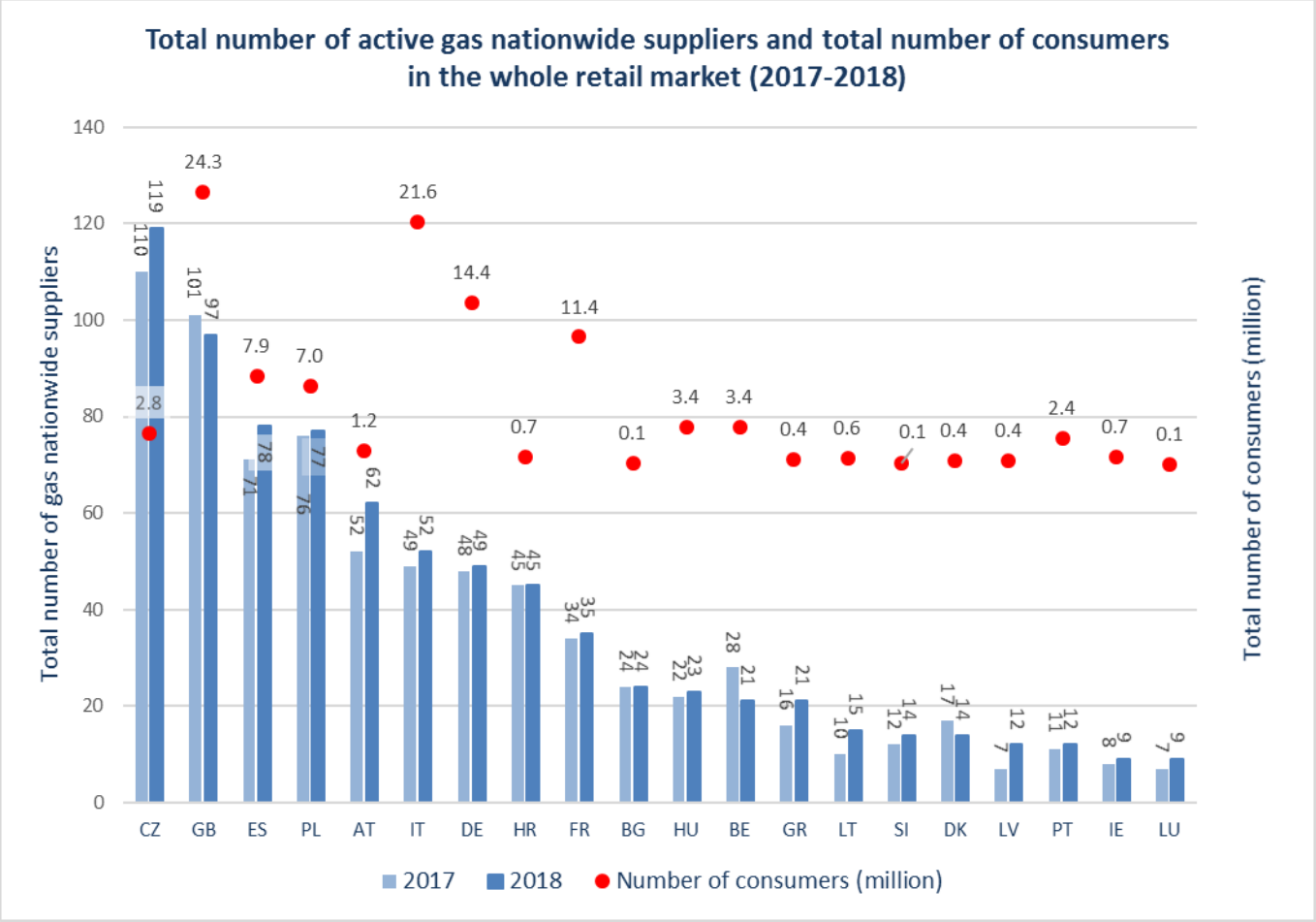


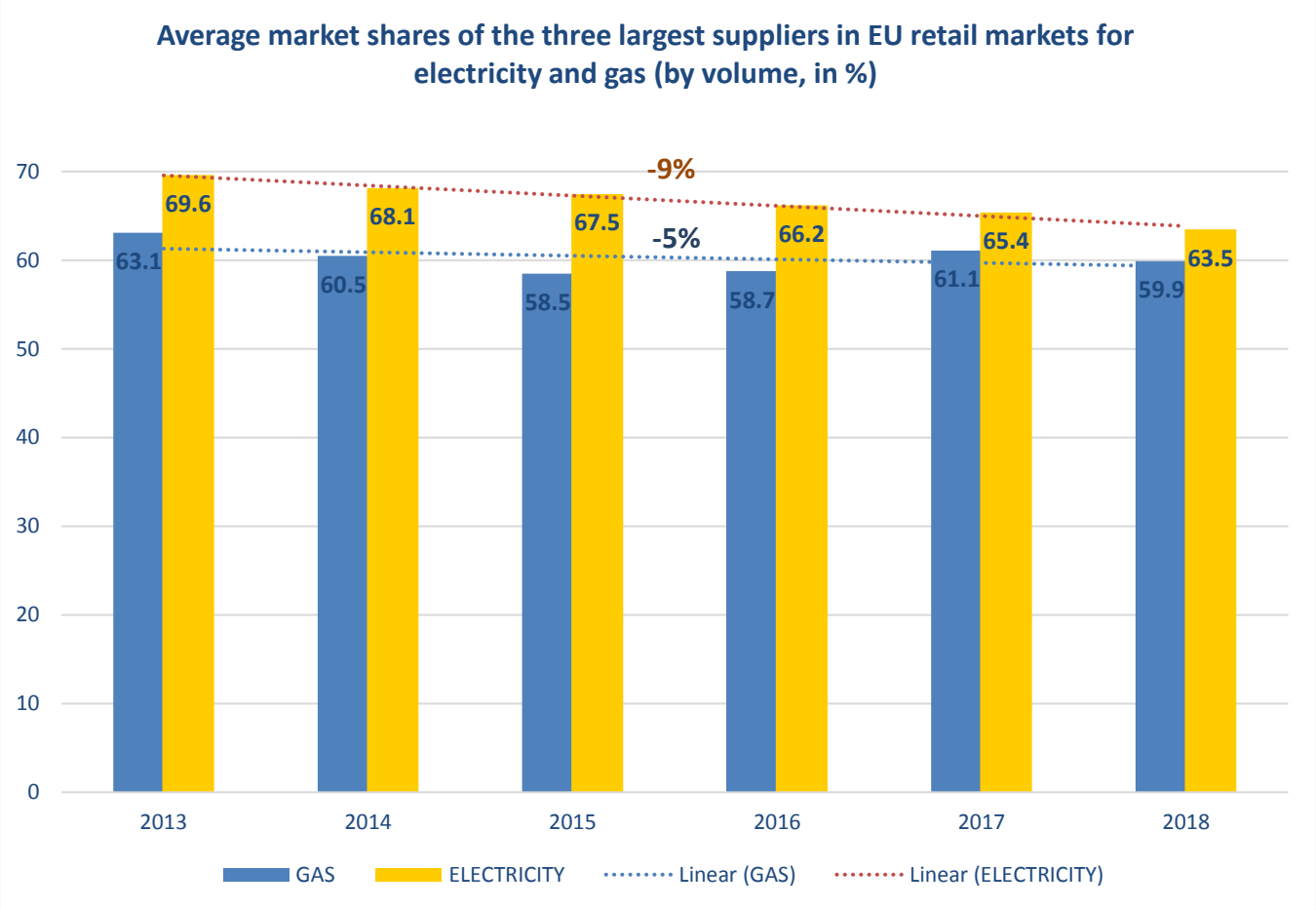
Figure 2: Total number of active gas nationwide suppliers and total number of consumers in the whole retail market (2017-2018)

As extracted from the *CEER Benchmarking report on removing barriers to entry for energy suppliers in EU retail markets of 1 April 2016 (C15-RMF-70-03)*[7], a high number of nationwide suppliers may be related to low entry barriers.

In order to monitor market concentration, Figure 3 exhibits the evolution from 2013 to 2018 of the average market shares of the three largest suppliers in each country[8], considering EU weighted averages (by number of consumers per country) and jointly taking into account household and non-household sectors.

[7] https://www.ceer.eu/1257

[8] It has been measured using CR3 indicator, by country and sector, which shows the market share of the three largest suppliers. The benchmark used in this report is 70%, since markets with CR3s between 70-100% are considered highly concentrated, ranging from oligopolies to monopolies.



Note: Excluded countries: In the gas sector, Germany has been entirely excluded (as only the CR4 is available). Data from 2017 and 2018 is missing from GB, DK, SE. In the electricity sector CZ, DE, GB have been excluded

Figure 3: Market shares of the three largest suppliers in EU retail markets for electricity and gas by volume, in %

National electricity and gas retail markets are dominated in many countries by a few suppliers. Overall, there is an improvement in market concentration since, across these six years, market shares of the three largest suppliers in the electricity sector have decreased by 9% while in the natural gas sector, it has decreased by 5%. However, there are different trends when splitting the studied period into two phases, from 2013 to 2015 and from 2016 to 2018.

During the first period, the gas sector quickly achieved a 7% decrease while the electricity sector achieved a decrease of only 3%. In the second timeframe, the tendency changes; the electricity sector improves by 4% while the natural gas sector experienced a higher CR3, with an increase in market concentration of 2%. Nevertheless, it is important to mention that the data used here aggregates the household and non-household statistics and should be read with caution. The subsections 1.2.2 and 1.2.3 deliver a further analysis of these segments.

Over the years two opposite effects may emerge; on the one hand there are more options to switch since new suppliers develop (new) products, while on the other hand, there are more mergers leading to larger suppliers and fostering market concentration.

In general, a sufficient number of suppliers is needed to develop a competitive market. In small countries (e.g. Slovenia, Lithuania, Ireland or Luxembourg) the number of active suppliers is usually much lower than in bigger markets, which does not necessarily imply that competition in these markets is less developed. However, there are differences in some countries between the number of suppliers holding licenses and therefore being allowed to offer electricity or gas nationwide, and the number of suppliers actually participating in the market.

As defined in the *2017 Handbook for National Energy Regulators of 24 January 2017*, in order to facilitate competition and innovation, barriers to market entry and growth for new market actors (i.e. suppliers and third parties) as well as barriers for innovation (including demand response) need to be as low as possible. This can help foster the arrival of new competitors, which may increase market competition, hence reducing CR3.

1.2 Household segment

1.2.1 Number of suppliers and entry/exit activity

In order to achieve a well-functioning retail energy market, new suppliers must be able to enter the market and compete on a level playing field with existing suppliers[9]. Therefore, total number and entry-exit activity of suppliers are indicative of consumers' choice and of the available options in each national market as well of a presence of local suppliers owned by local DSOs, while the low/high entry-exit activity are indicative of the existence/non-existence of entry barriers.

As the results in Figures 4 and 5 show, there are significant differences in some countries between the total number of suppliers and the number of suppliers which are active nationwide. Italy keeps being the country with the largest number of active suppliers, 509 in the case of electricity and 366 in the case of gas, of which just 64 in electricity and 41 in the case of gas are active nationwide. The reason behind is that the majority of suppliers are more active in their local area or close to it at least in the gas sector, but the number of Italian nationwide supplier is likely to be underestimated (see footnote 5).

Something similar has occurred in France, where there is a big difference between the number of active suppliers (187 for electricity and 57 in gas) in comparison to the number of suppliers that are active nationwide (27 in electricity and 14 in gas).

The number of electricity suppliers for households that are active nationwide is the highest in Spain, Norway and Czech Republic with 215, 81 and 79 suppliers respectively. Hungary had three active nationwide suppliers in 2017 and 2018.

In Spain, there are 67 regional suppliers (not active at a nationwide level), whose market shares are below 5%. It means that the nationwide market is more relevant that regional markets

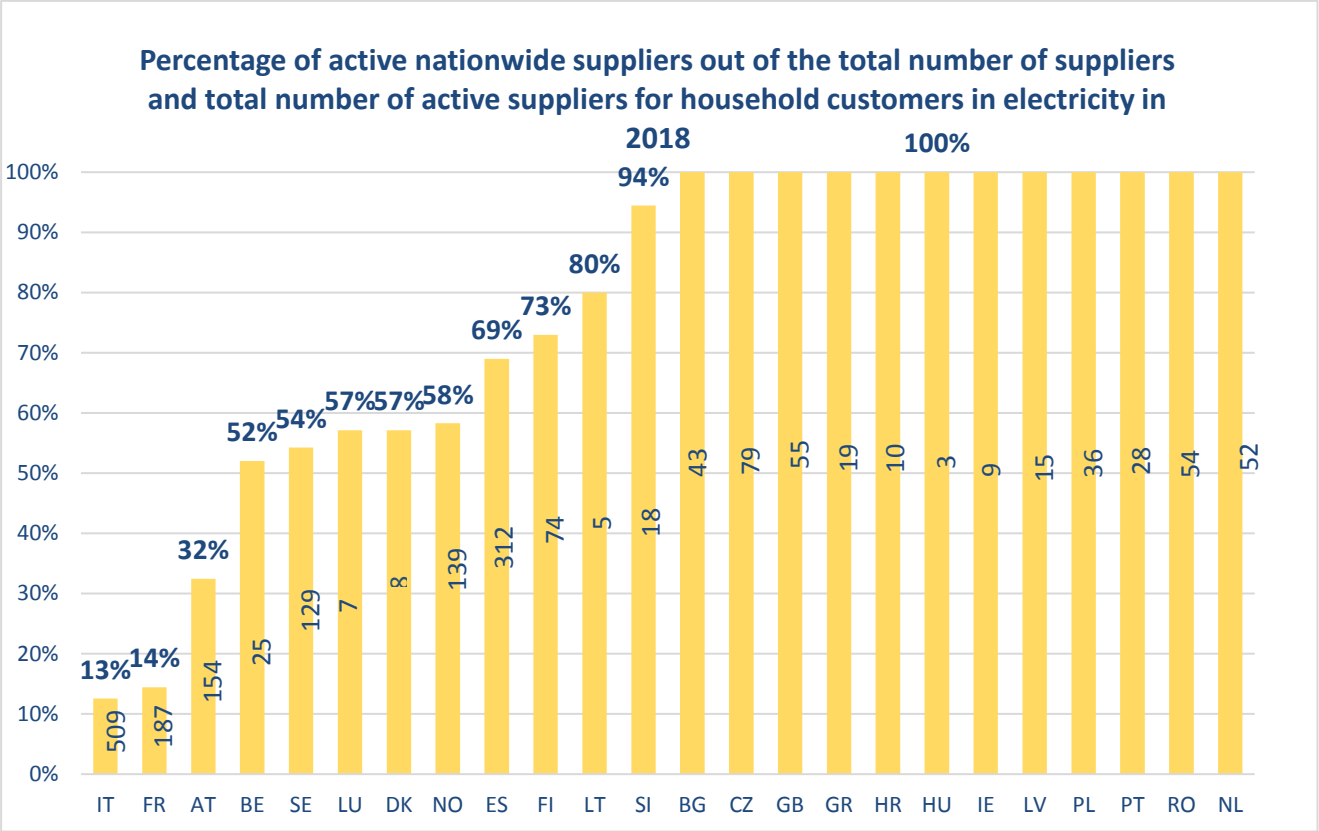
The EU average number of active electricity nationwide suppliers per country in 2018 was around 40, with smaller countries like Lithuania having 4 nationwide suppliers and others like Romania and Finland, both with 54 suppliers.

In the gas market, the number of household suppliers that are active nationwide is the highest in Czech Republic, followed by Spain and Great Britain while the lowest number of suppliers active nationwide is found in Hungary, Lithuania and Luxembourg.

In the case of Great Britain, the retail energy markets have seen substantial new entry in recent years (barriers to entry are not an issue in GB). As result, the number of gas household suppliers active nationwide rose from 37 in 2015 to 60 in 2018. The substantial new entry brought in new competitors to the market, which in turn contributed to the falling market shares of large suppliers, lower market concentration levels and more choice for customers.

[9] See CEER Benchmarking report on removing barriers to entry for energy suppliers in EU retail energy markets (2016), Ref: C15-RMF-70-03

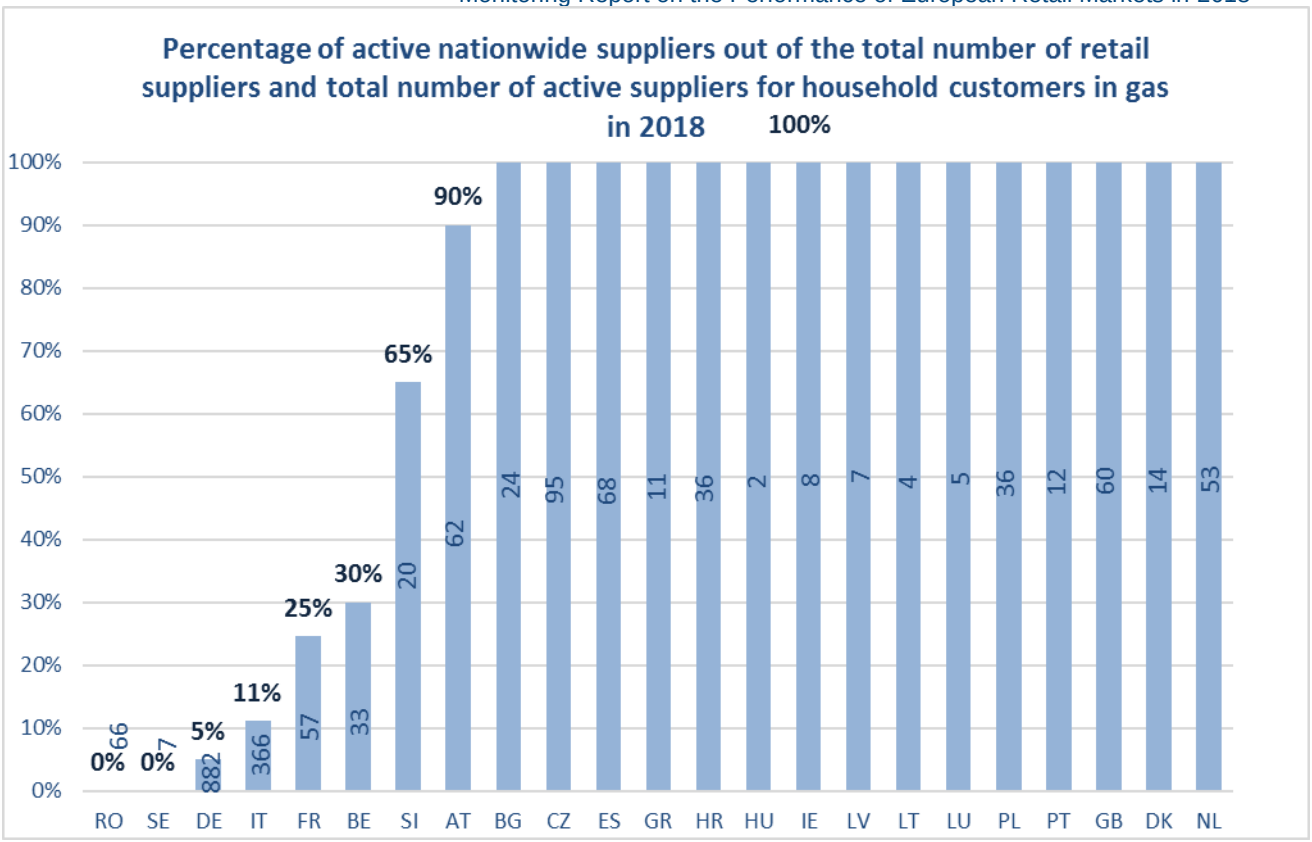
The figures below show the percentages of nationwide suppliers for household customers in electricity and in gas out of the total number of suppliers in the selection of countries[10].



Note: Total number of suppliers inserted in each column.

Figure 4: Percentage of active nationwide suppliers out of the total number of retail suppliers and total number of active suppliers for household customers in electricity in 2018 for selected countries

[10] Some countries are missing from the figures, as they do not have all the available data either for the total number of suppliers, either for the number of nationwide suppliers.



Note: Total number of suppliers inserted in each column.

Figure 5: Percentage of active nationwide suppliers out of the total number of retail suppliers and total number of active suppliers for household customers in gas in 2018 for selected countries

A higher number of suppliers active nationwide usually implies more offers and thus, more customer choice. It also acts as a driver for consumer switching (see supplier switching chapter to find correlations).

In 2018 there has been a similar entry/exit activity compared to 2017. New entrants, especially from foreign countries, can bring in new and innovative ways of operating. These are important factors, which contribute to the delivery of the CEER-BEUC 2020 Vision for Europe´s energy customers[11].

In the electricity sector, Spain and Italy were the countries with the highest net entry/exit balance (more companies entering than leaving the market). In the case of Spain 48 new suppliers entered the market while 20 exited the market and in Italy 62 suppliers entered and 40 exited the market. In the Spanish case, when an electricity supplier is inactive more than one year, it is removed from the registry. Meanwhile, Italy is the country with the highest number of companies entering the market coming from a different country (4).

The country with the highest negative balance (with more companies leaving than entering) was Great Britain, with a net balance of 6 companies leaving the market. Several factors contributed to these market exits. These include suppliers' approach to hedging against the risk of increasing costs, which led to problems when prices rose in the second half of 2018, partly due to the 'Beast from the East' weather conditions. Other factors include aggressive customer expansion and the withdrawal of parent company support or third-party partners. There were also cases of poor governance and lack of sufficient investment in systems and processes to support adequate customer service provision.

[11] See CEER-BEUC 2020 Vision for Europe´s energy customers.

In the gas sector the country with the most entries was Italy (42), which was also the country with the most exits (40), this resulted in a net balance of two more suppliers in the household sector. One reason is related to the intense activity of mergers & acquisitions in the market. On the other hand, the high number of exits could also be linked to the inability of new very small entrants to meet (and to maintain over time) the technical, financial prerequisite that represent the foundation of a sustainable and lasting growth of the customer base.

The country with the highest net number of companies entering/exiting the market was Spain, where 16 companies entered the market and just 4 left. In addition, Spain was the country with most entrants coming from a different country (4).

In the remaining countries, the number of suppliers that have entered the markets is around two and the number of suppliers that have exited the market, around two as well. Hence, the net balance has been zero.

1.2.2 Market shares and market concentration

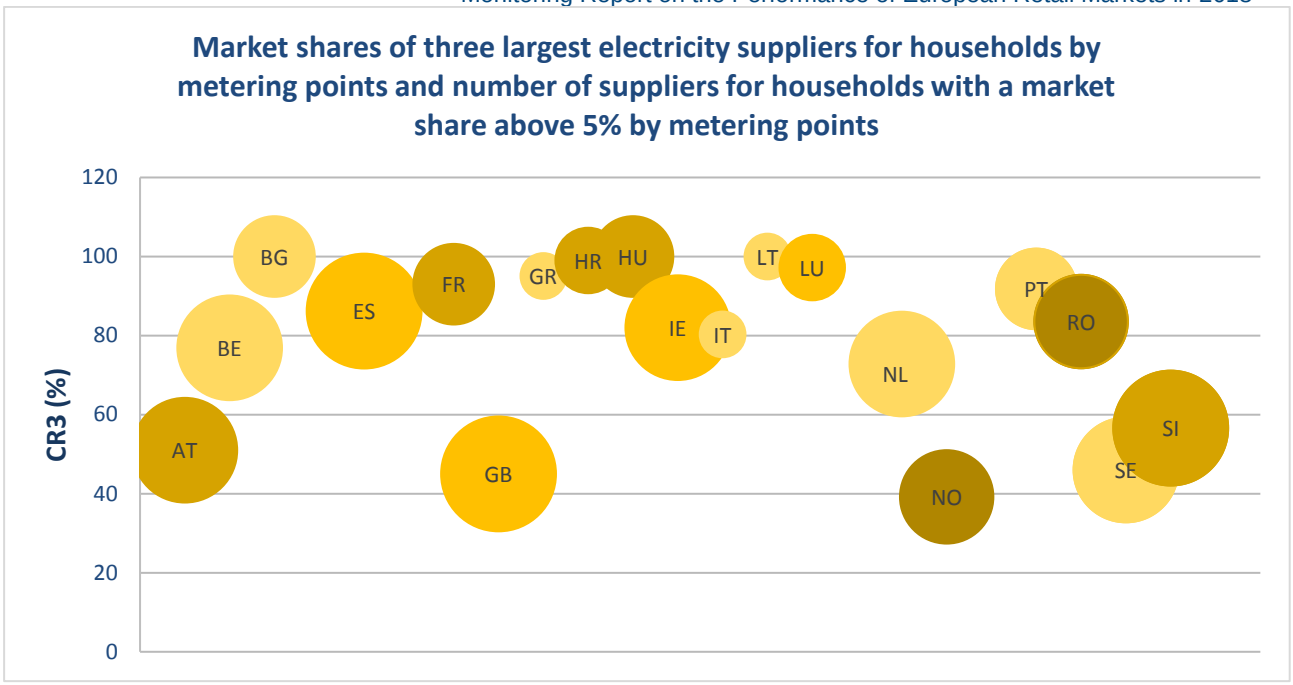
While absolute numbers of suppliers and their entry/exit levels statistics can deliver useful insights on the market structures and entry barriers, indicators such as market shares and concentrations are important to understand competition dynamics. With low market concentration[12], the ability of any market player to exploit market power to the detriment of consumers is reduced and consumers can benefit from competition, innovation and customer services.

Figures 6 and 7 illustrate the level of concentration of European retail markets for households in electricity and in gas in 2018, measured by the concentration ratio CR3[13], expressed as the sum of the market shares of the three largest suppliers in a market by metering points and the total number of suppliers with a market share above 5%. A similar exercise was done in the introductory chapter for the whole retail market, taking into account volumes rather than metering points.

The countries with the lowest CR3 for the household segment are Norway, Great Britain and Sweden for electricity and Great Britain, Italy and Croatia for gas. There are fifteen countries in electricity and twelve in gas with a CR3 equal or above 70%, in comparison to 2017, when there were thirteen countries in electricity and fourteen in gas with a CR3 equal or above 70%. When analysing jointly with the CR3 concentration by volume presented in Figure 3, we see that the level of concentration is high and that a greater effort of all relevant players to improve the situation is needed.

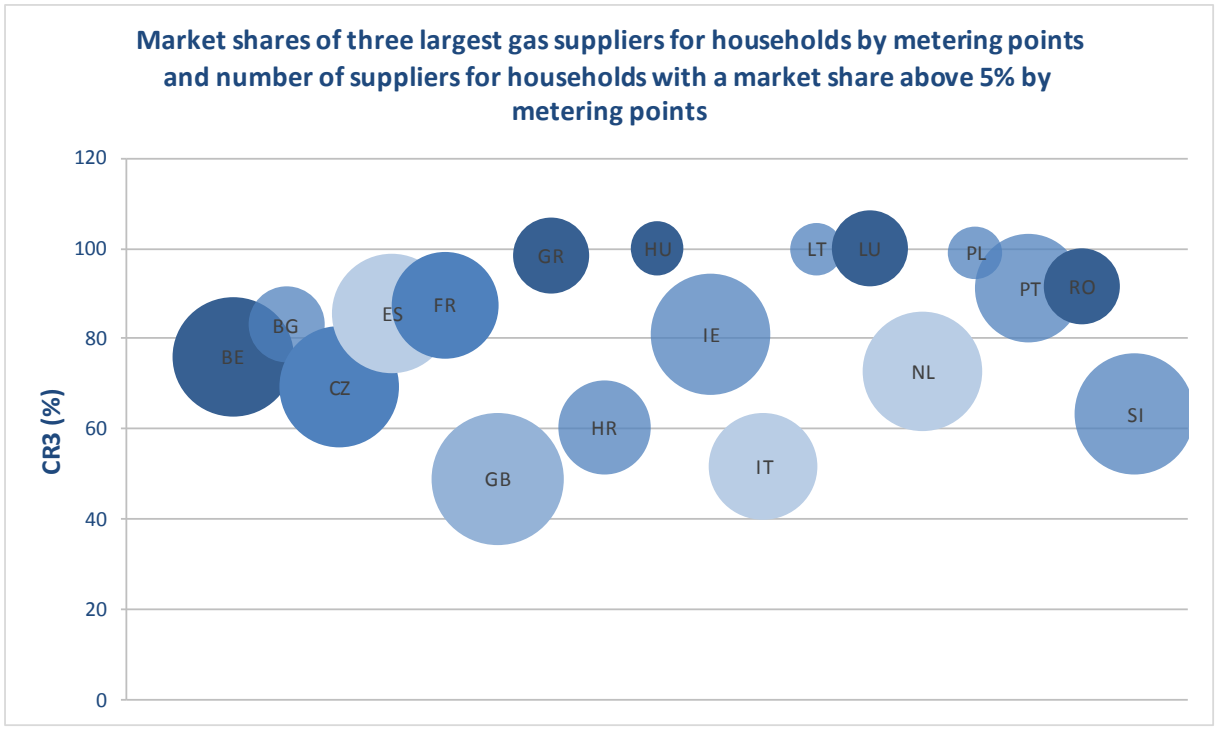
[12] When talking about market concentration measures, the definition of the relevant market is crucial. As in some countries markets are not national, but defined of a smaller (often regional) size, definition and therefore concentration measures can differ significantly.

[13] CR is a traditional structural measure of market concentration based on market shares. In this report we measure the concentration ration 3 which measures the total market shares of the 3 largest suppliers in one market.



Note: The size of the bubble represents the number of suppliers with a market share above 5%. The shades of the bubbles are chosen randomly.
X axis presents countries by alphabetical order.

Figure 6: Market shares of three largest electricity suppliers for households by metering points and number of suppliers for households with a market share above 5% by metering points in 20 countries in 2018



Note: The size of the bubble represents the number of suppliers with a market share above 5%. The shades of the bubbles are chosen randomly.
X axis presents countries by alphabetical order.

Figure 7: Market shares of three largest gas suppliers for households by metering points and number of suppliers for households with a market share above 5% by metering points in 17 countries in 2018

In low concentrated household electricity markets according to CR3, such as Norway, Great Britain and Sweden, the number of suppliers with market shares above 5% varies between four and six. On the other hand, in these same MS, the number of overall suppliers with market shares below 1%, is 120 in Norway (out of 139 suppliers in the country), 42 in Great Britain (out of 55 suppliers) and 111 in Sweden (out of 129). The abundance of suppliers with low market shares might present a high number of new nationwide suppliers that entered one's market very recently or that there are many suppliers active exclusively at a local level.

The HHI is the most accurate indicator to measure the degree of market concentration. Based on the guidance from the European Commission (Guidelines on the assessment of horizontal mergers under the Council Regulation on the control of concentrations between undertakings (2004/C 31/3), a HHI above 2,000 signifies a highly concentrated market. In general, a high number of suppliers and low market concentration are seen as the indicators of a competitive market structure[14].

Figures 8 and 9 present the HHI for electricity and for gas in the household segment.

The results show that in only seven out of the 21 responding countries in electricity, the HHI is below 2,000 proving high concentration in the EU household market. Lithuania has a HHI value of around 10,000, meaning that there is just one supplier and therefore no competitive development.

The countries that have improved the most in relative terms have been Portugal[15] and Great Britain, Great Britain with an HHI below 2,000, while Portugal above 6,000.

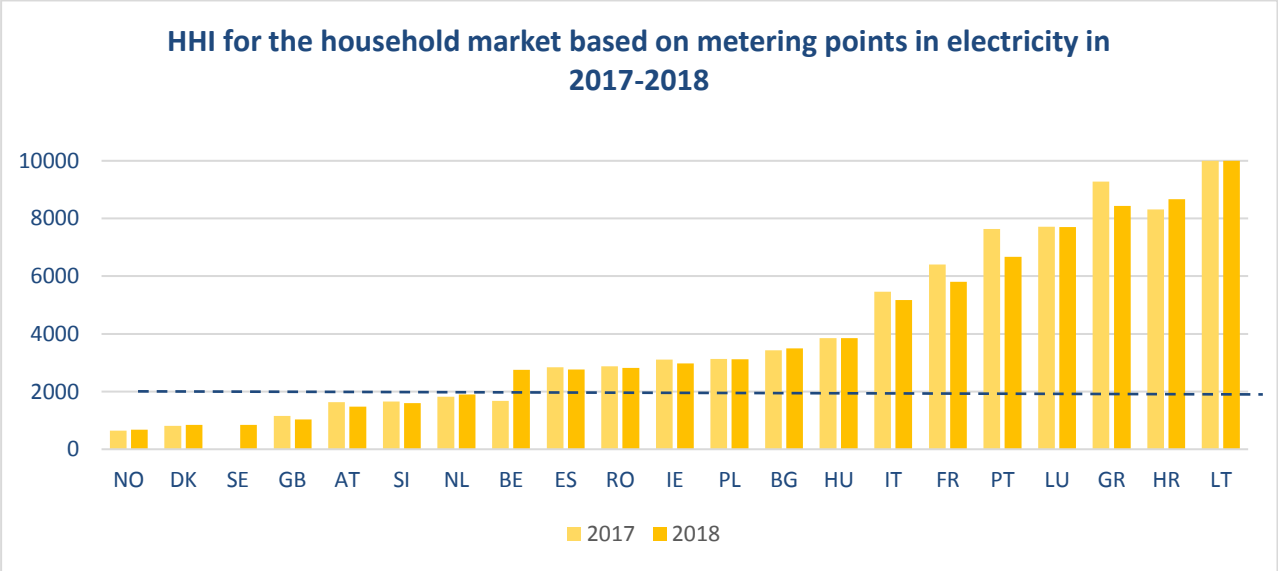


Figure 8: HHI for the household market based on metering points in electricity for selected countries

In the gas retail market there are four countries, out of the 19 responding MS, where the household market presents a low market concentration with a HHI below 2,000. Therefore, in all remaining countries household markets are highly concentrated. In three MS, Poland, Hungary and Lithuania, the HHI is almost 10,000. The greatest improvement in relative terms has been achieved by Great Britain.

[14] See CEER 2017 Handbook for National Energy Regulators (2017), Ref: C16-SC-52-03

[15] In the case of Portugal, this was due to the reduction of the market share of the dominant supplier in this sector and the entrance of new suppliers.

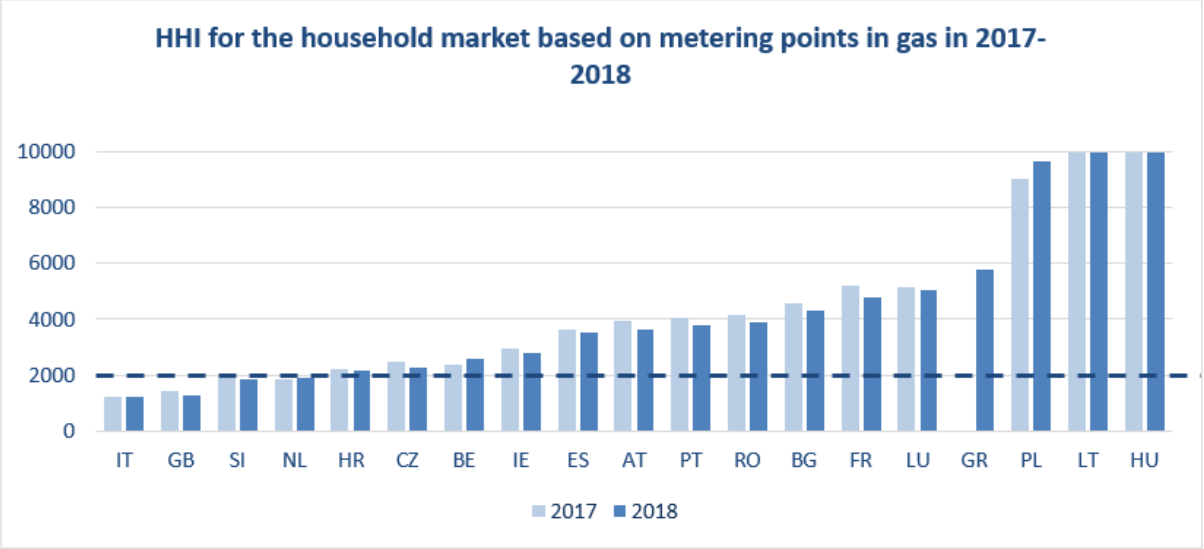


Figure 9: HHI for the household market based on metering points in gas for selected countries

Comparing 2017 and 2018 electricity and gas HHI indicators, it is noted that there has been a slight decrease in the EU HHIs related to a market competition increase. The average score is similar when comparing gas and electricity. Both markets are almost equally concentrated as an average.

The overall picture remains similar to 2017, hence, a bigger effort is required. In general terms, Eastern European countries hold higher HHIs for gas. This could be due to the fact that in most cases, those MS rely on a single supply source. On the other hand, their wholesale gas markets are also less liquid. These two facts lead to a lower number of entrants and market agents as presented in 2.1.

1.3 Non-household segment

1.3.1 Number of suppliers and entry/exit activity

The total number of electricity suppliers in the non-household segment ranges between 10 in Luxembourg or 12 in Ireland and 560 in Italy or 953 in Germany, and for gas between 7 in Sweden and 405 in Italy. However, as the figure below shows, in some countries there is a significant difference between the total number of suppliers and the number of suppliers that are active nationwide.

In some countries, the majority of suppliers are active only within their local area (e.g. France in the electricity market). Therefore, the number of suppliers active nationwide is smaller in some of these countries (34 active nationwide suppliers in France).

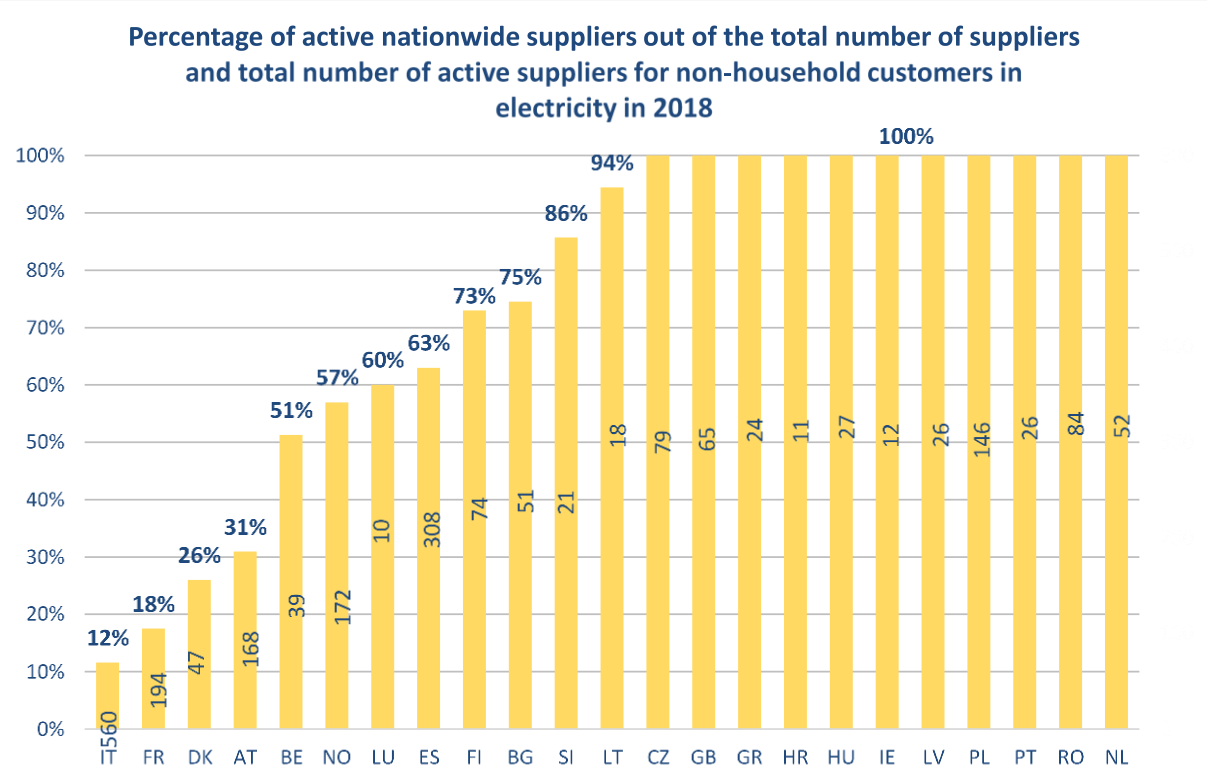
The number of electricity suppliers for non-households that are active nationwide is the highest in Spain (195 nationwide suppliers). In Poland the 146 suppliers operative in the country are also active nationwide. The same case applies in some other countries, such as Great Britain with 65 suppliers in the country that are at the same time active nationwide.

Results show that for gas, in Italy and France the number of nationwide suppliers is much lower than the total number of suppliers, where a certain activity of suppliers on a local/regional level is noted. In Italy, unlike what happens in the electricity sector, in gas the competition between sellers

seems to take place mainly on a regional or sub-regional geographical scale, not yet reaching a national size.

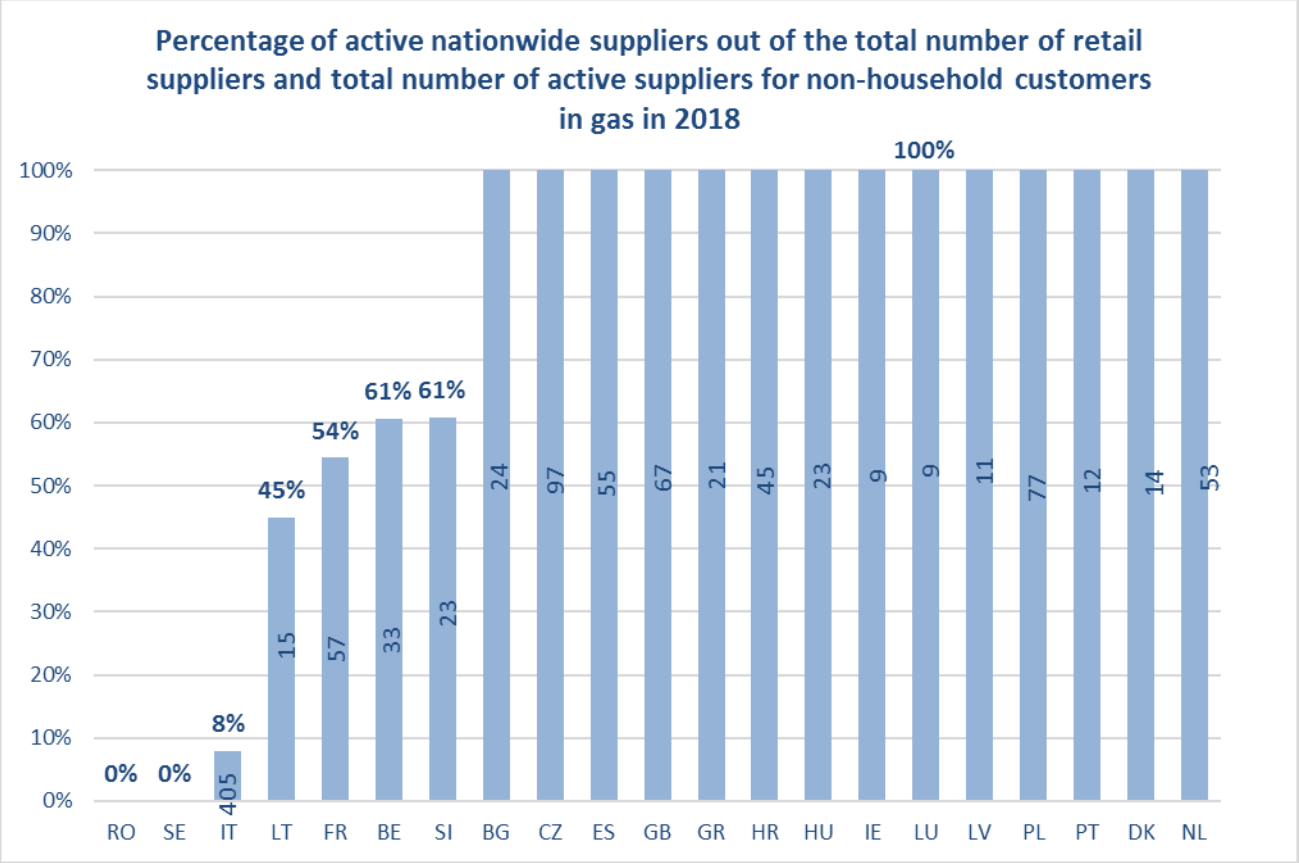
On the other hand, in 11 out of the 24 MS that have replied, all suppliers are active nationwide.

The two figures below present the percentages of nationwide suppliers compared to the total number of suppliers in one country. In some countries data is only available either for the total number of suppliers or, either for the number of nationwide suppliers, hence, those countries are excluded from the graph.



Note: Total number of suppliers inserted in each column.

Figure 10: Percentage of active nationwide suppliers out of the total number of retail suppliers and total number of active suppliers for non-household customers in electricity in 2018 for selected countries



Note: Total number of suppliers inserted in each column.

Figure 11: Percentage of active nationwide suppliers out of the total number of retail suppliers and total number of active suppliers for non-household customers in gas in 2018

A higher number of suppliers could be translated into more choice of offers available to customers.

Regarding entry-exit activity, in Italy 70 and 36 new suppliers have entered the non-household electricity and gas markets respectively, of which seven came from a different country in electricity, hence, many new national suppliers started an activity in both markets. The entrance of foreign suppliers might be due to the scheduled end of the standard offer regime and the subsequent widening of the market.

At the same time, in Italy, there have been 39 electricity and 42 gas suppliers exiting the market. This means that the net balance of the entry/exit activity in Italy is negative in the case of gas and positive in the case of electricity[16]. On the other hand, in electricity Spain is the country that has recorded the highest net balance (with 51 entrants and 20 companies exiting the market) while Greece has recorded the highest net balance increase in gas (with 18 companies entering the market and none exiting the market). Regarding the highest negative net balance score, Romania has five companies entering the electricity market and 17 exiting at the same time it faced four entering the gas market and 11 leaving.

In the majority of the countries, the new suppliers that have entered the electricity non-household market come from the same country they are entering.

[16] The number of suppliers entering and exiting the market comes from the annual survey carried out by the NRA therefore it tends to be affected by the different number of respondents to this survey over the years.

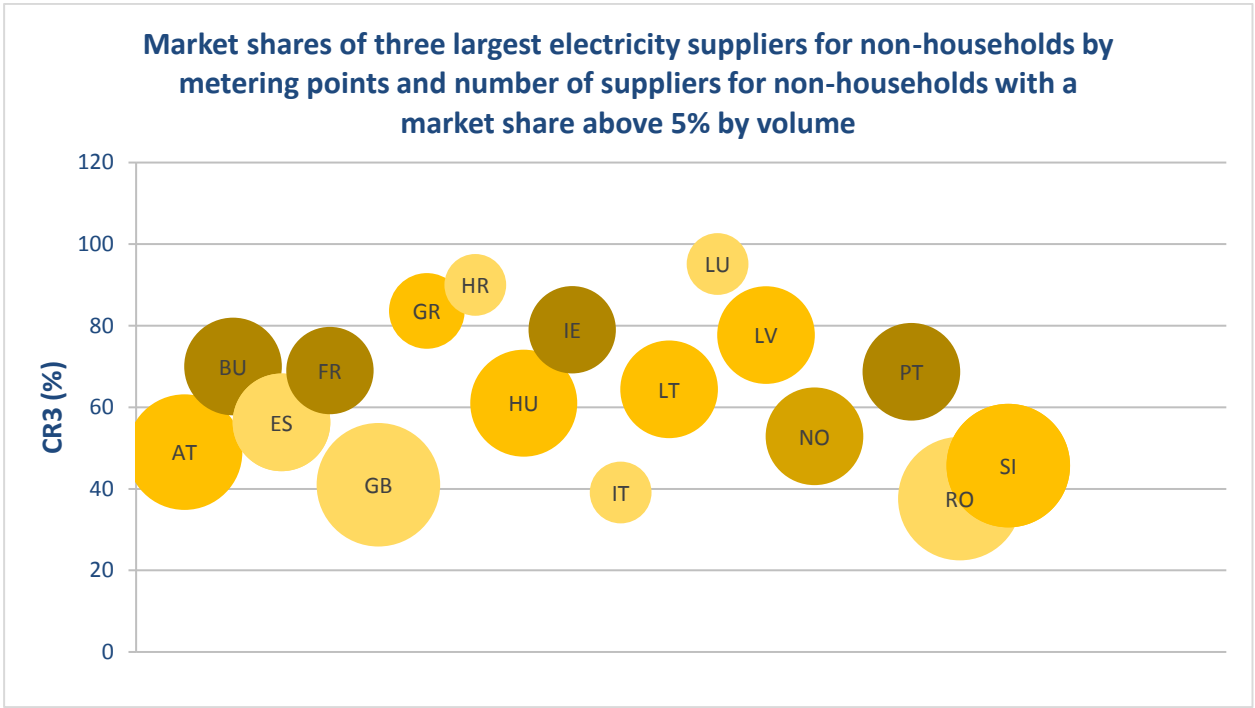
1.3.2 Market shares and market concentration

Figure 12 and Figure 13 illustrate the level of concentration of European retail markets for non-households in 2018, measured by the concentration ratio CR3, expressed as the sum of the market shares of the three largest suppliers in a market by volume and the number of suppliers with market shares above 5%.

There are six MS in electricity and nine in gas with CR3 equal/above 70% while in 2017 there were ten MS in electricity and eleven in gas with CR3 shares above 70%.

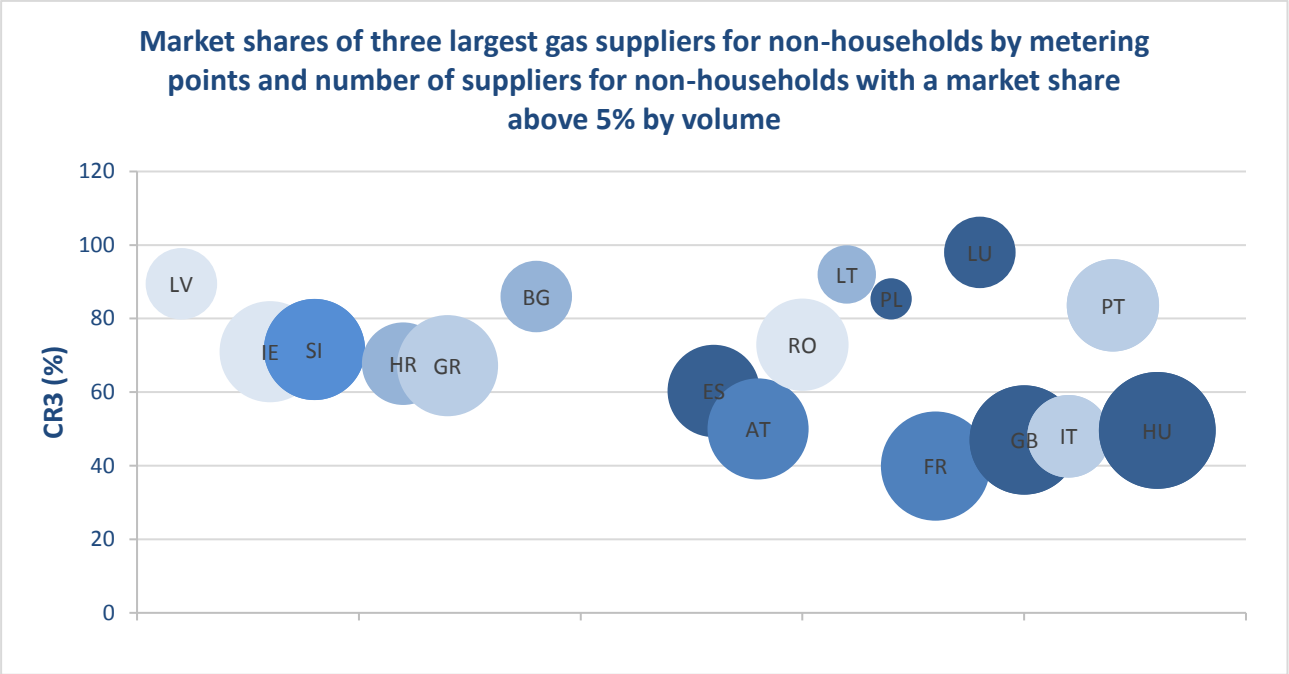
In the electricity sector, CR3 is equal or above 70% in 6 MS, out of the 18 MS responding. In some MS such as Luxembourg and Croatia, this fact may be related to the existence of few suppliers in relation to the size of those markets. Otherwise it could be an indication of low competition in the market, of low market openness and of low consumer choice. Romania scored lowest in terms of CR3 (37.6%); there are eight suppliers with a market share above 5%, and a majority of suppliers with market shares below 1%.

Meanwhile in the gas sector, CR3 is equal or above 70% in 9 MS, out of the 17 respondents. The lowest CR3 emerges in France, with a 39,9% CR3 explained by the fact that there are 7 suppliers with market shares above 5%. The highest appears in Luxembourg, with a 98% CR3 and just 3 suppliers with market shares above 5%.



Note: The size of the bubble represents the number of suppliers with a market share above 5%. The shades of the bubbles are chosen randomly.
X axis presents countries by alphabetical order.

Figure 12: Market shares of three largest electricity suppliers for non-households by metering points and number of suppliers for non-households with a market share above 5% by volume in 17 countries in 2018



Note: The size of the bubble represents the number of suppliers with a market share above 5%. The shades of the bubbles are chosen randomly.
X axis presents countries by alphabetical order.

Figure 13: Market shares of three largest gas suppliers for non-households by volume and number of suppliers for non-households with a market share above 5% by metering points for in 18 countries in 2018

The figures below present HHIs for non-household electricity and gas markets in 2017 and 2018 based on volumes. HHI values show that non-household markets are less concentrated than household markets, while within the non-household segment electricity markets are less concentrated than gas markets.

In the electricity market there are 13 countries out of the 21 responding countries that have low concentrated non-household markets according to their HHIs (<2,000). Denmark and Romania have the lowest HHIs, scoring 283 and 730 respectively. In Romania there are eight suppliers with market shares above 5% and a CR3 of 37.6% in volume, the 78% of suppliers have market shares below 1%. This high number of suppliers with low market shares could be caused by a high number of suppliers active only in certain municipalities but it might also reflect a high number of new entrants and also the fact that many of these suppliers may just serve a few large industrial customers.

In the gas market, nine countries, out of 19 responding, have an HHI below 2,000. France scores lowest with an HHI value of 810. Countries with a stronger importance of regional markets, tend to score better at this indicator (lower CR3), since those markets tend to be concentrated at a regional but not national level (Linked to 2.3.1).

Comparing the HHI values between 2017 and 2018 in the non-household sector for gas, there is an average EU HHI improvement. The country that has experienced the biggest improvement in relative terms is Austria, which moved from 1477 in 2017 to 1109 in 2018.

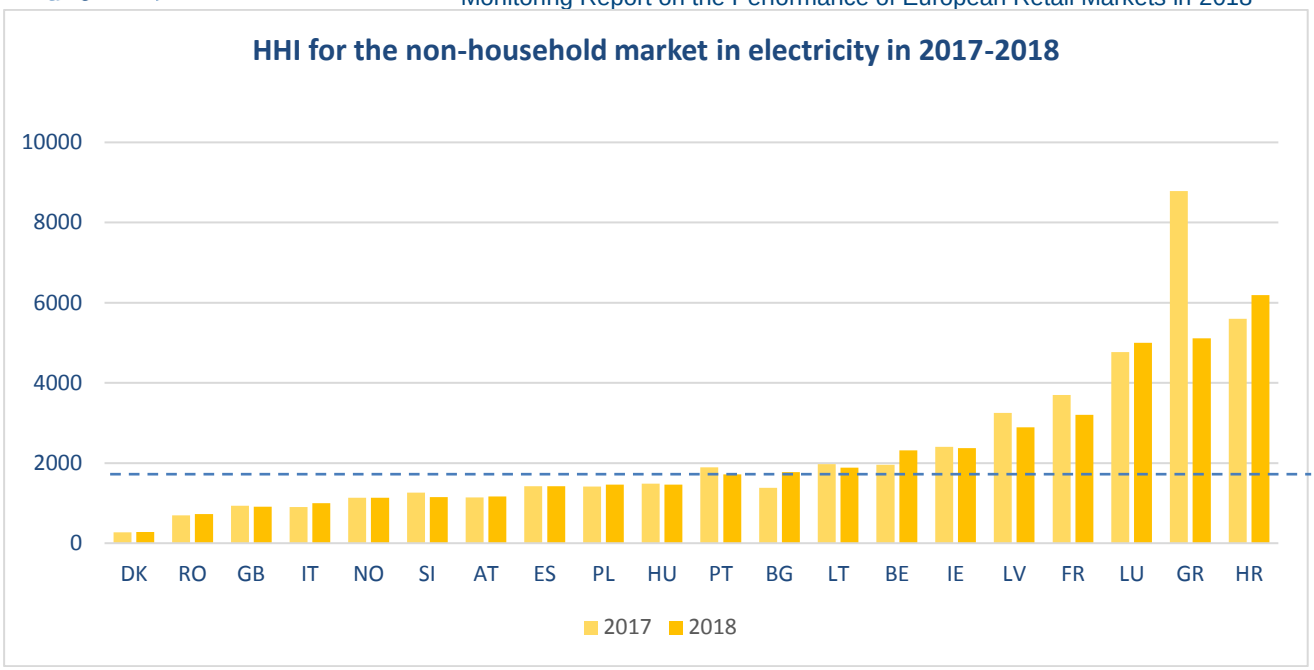


Figure 14: HHI for the non-household market in electricity for selected countries

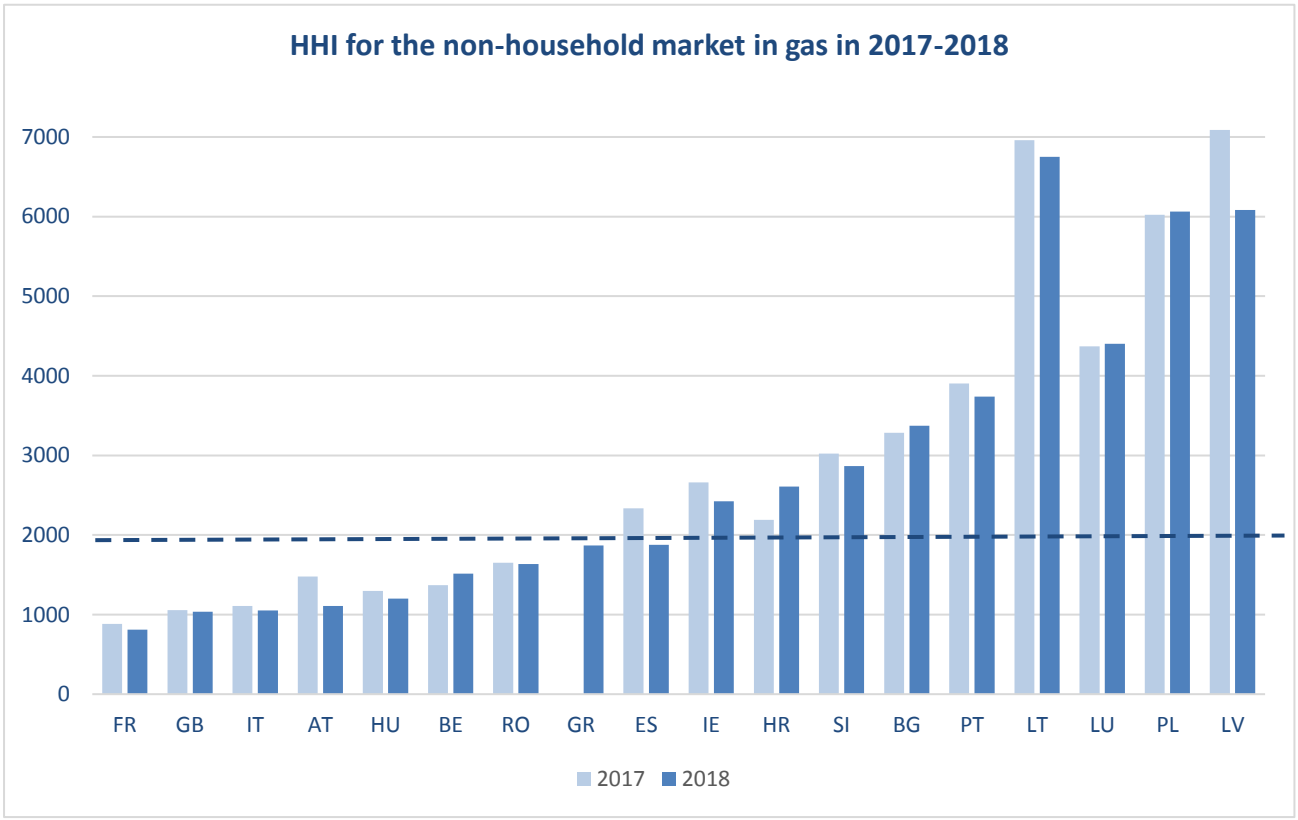


Figure 15: HHI for the non-household market in gas for selected countries

1.4 Conclusions

In 2018 there was an overall increase in the number of suppliers as well as the number of nationwide suppliers, compared to 2017. The average number of active nationwide suppliers per country in 2018 was around 40 (37 in 2017) in the gas sector and 57 in the electricity sector (56 in 2017). It is interesting to note that in the energy sector it is difficult to find energy suppliers simultaneously operating in more than five or six countries as it happens in other sectors such as the telecommunications industry. Therefore, retail energy markets are still relatively national in character.

A high number of nationwide suppliers may be related to low entry barriers. Although in small countries the number of active suppliers is usually much lower than in bigger markets, which however does not necessarily imply that competition in these markets is less developed.

Low market barriers foster the arrival of new competitors. New entrants contribute to the falling market shares of incumbent suppliers, lower market concentration levels and more choice for customers and can bring in new and innovative ways of operating.

Regarding market concentration, there has been an overall improvement along the last six years in both sectors. Comparing 2017 and 2018 electricity and gas household HHI levels, it is noted that there has been a slight decrease in the relevant HHIs related to higher entry and resulting increase in the number of suppliers.

However, despite the higher entry which resulted in the higher number of nationwide suppliers, the national retail energy markets for households are still highly concentrated, with HHI below 2000 in only 7 MS in electricity and 4 MS in gas. Similarly, in 2018 there were fifteen countries in electricity and twelve in gas with CR3s equal or above 70%.

In the non-household segment, there are six MS in electricity and nine in gas with a CR3 equal/above 70%, while in 2017 there were ten MS in electricity and eleven in gas with CR3 shares above 70%.

Non-household markets for gas and electricity are less concentrated than household markets. However, in some MS greater efforts are required to improve their market structure and concentration levels.

2 Customer switching activities and offers

2.1 General overview

Well-functioning retail markets require the involvement of consumers in market activities. In the current setting, this involvement mainly refers to supplier switching. It depends on many factors such as easy switching processes, consumers being aware of their opportunities and of the rights and tools that can empower them to participate. The engagement of consumers puts pressure on energy suppliers, which in turn increases competition between suppliers which might lead to lower or at least adequately set prices. Engagement necessitates awareness and understanding of consumer opportunities on the market as well as knowledge of a set of rights and tools to pursue individual decisions.

The switching rate of customers is one of the key indicators for competitive development in energy retail markets. Even though switching processes have been facilitated by regulation and the automation of processes in many MS, there still is a high number of customers – especially households – who remain with their incumbent supplier. There are multiple reasons for customers not to switch their supplier, ranging from regulatory barriers to behavioural aspects. Regulatory barriers can refer to regulated prices in the first place. This is especially the case if regulated prices are set below cost levels such that the development of competitive retail markets is hampered and no economic incentive for switching exists. However, there are other reasons why monetary incentives to switch are not sufficient, for example, if taxes and other fixed price components make up a high percentage of the final price. Besides regulatory issues and monetary incentives, behavioural aspects play a major role. A lack of trust in new suppliers or loyalty to the old supplier may prevent customers from switching as well as perceived complex and time-consuming switching procedures.

For electricity 24 MS replied to the questionnaire on switching rates, for gas 19 MS. However, the quality of data is different. Some MS were able to report on all indicators, others were able to provide only one aggregated number for the whole retail market. Another difficulty is that some of the indicators, such as those on internal switching, were introduced quite recently, not allowing every MS to collect this indicator.

In most of the MS, the switching rate has increased compared with previous years for electricity and gas household customers. This increase is most significant in Norway and Great Britain for electricity, and Ireland and Great Britain for gas. Internal switching rates also show an upward trend for both markets.

For the non-household segment, the picture is similar, even though switching started from higher levels, which leaves the increase less significant than in the household sector. Nevertheless, the switching rates generally remain higher while the increase of switching rates in the gas sector is more obvious than in the electricity sector.

A broad variety of offers is an indication of innovative and well-functioning retail markets. While there are still differences between MS in terms of the number and type of offers, the trend is clear that consumers are getting more choice over the years. The data also shows show also that certain offers such as online offers or offers with different pricing models are on the rise.

The following sections will present the main developments of switching activities and offers in the electricity and gas markets in more detail. The focus is on relevant trends for different customer

types across selected MS, taking into account external and internal switching activities. Besides this, the availability of offers in MS will also be presented.

2.2 Household segment

This section assesses the level of switching activity in different segments for electricity and gas retail markets: in external and in internal switching and switching in and out of regulated prices.

2.2.1 External switching rates

External switching is defined as the voluntary action by which a customer changes their supplier. Figure 16 shows switching rates for electricity household customers by metering points in 2018 and the annual average from 2013 to 2017 for a selection of MS. It reveals that among MS, external switching rates of household customers differ significantly.

In electricity, the highest external switching rate in 2018 was reported by Norway (21,4%), which implies an even higher switching rate than the year before (18.8%). Other countries with a relatively high switching rate for electricity household customers by metering points in 2018 (at least 10%) are Finland, Germany, Great Britain, Ireland, Portugal, Spain and Sweden. The Netherlands is also a country with a high switching activity, they do, however, use different indicators to measure switching behaviour.[17] With exception to Poland, Croatia, Finland and Portugal, switching rates in 2018 were higher than the average of the years from 2013 to 2017, with the largest decrease being observed in Portugal (-8,8%). No or almost no switching was

[17] Due to data availability the specific indicator for external switching of household and non-household customers for the Netherlands cannot be calculated separately. The external switching activity on the whole electricity retail market in the Netherlands was 18,7 % in 2018.

reported by Bulgaria, Lithuania and Poland (0% - 0,04%). In Cyprus and Malta, there is only one supplier so switching is not possible.

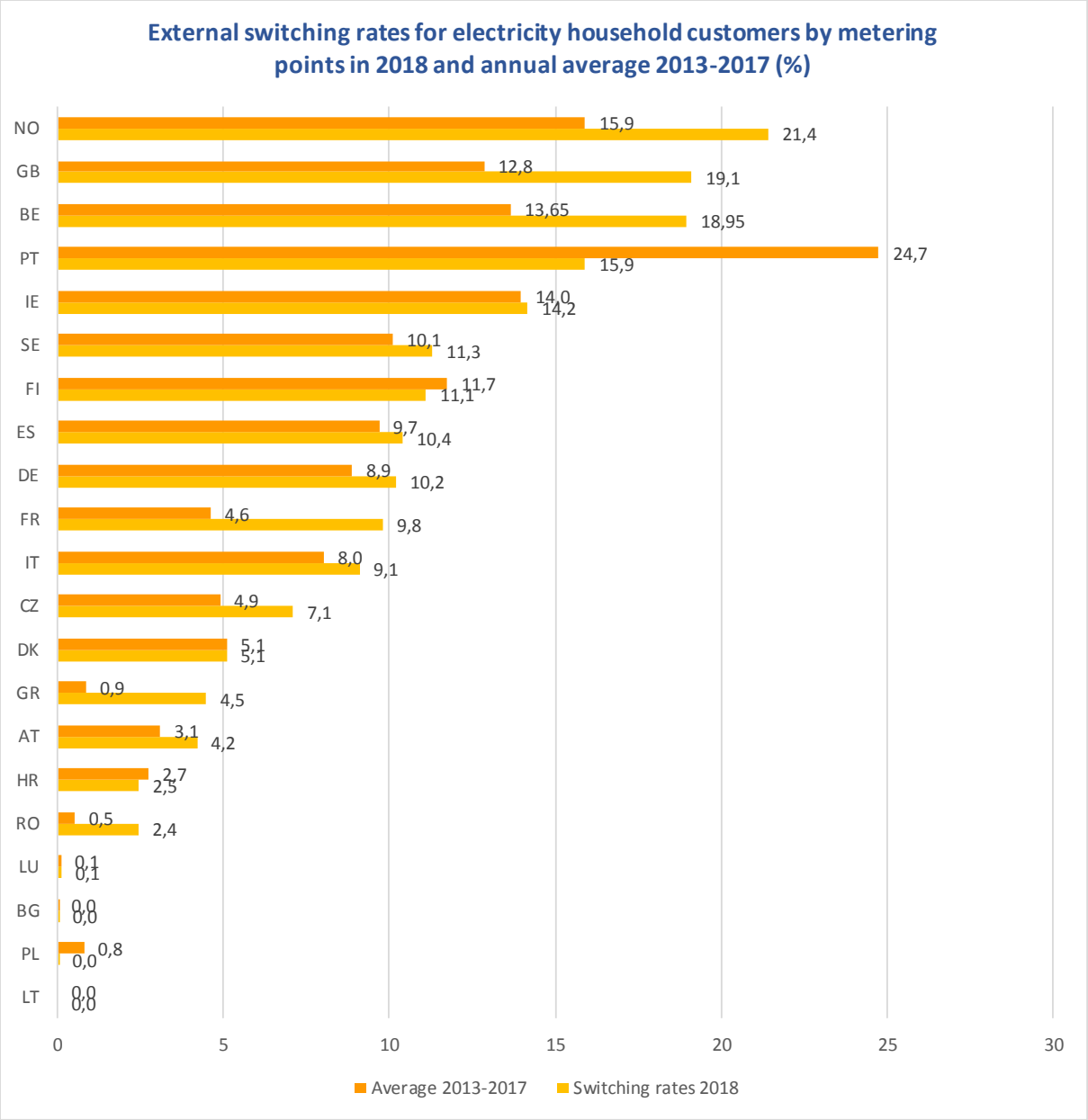


Figure 16: Switching rates for electricity household customers in 2018 and annual average 2013-2017 (%; by metering points) for selected countries

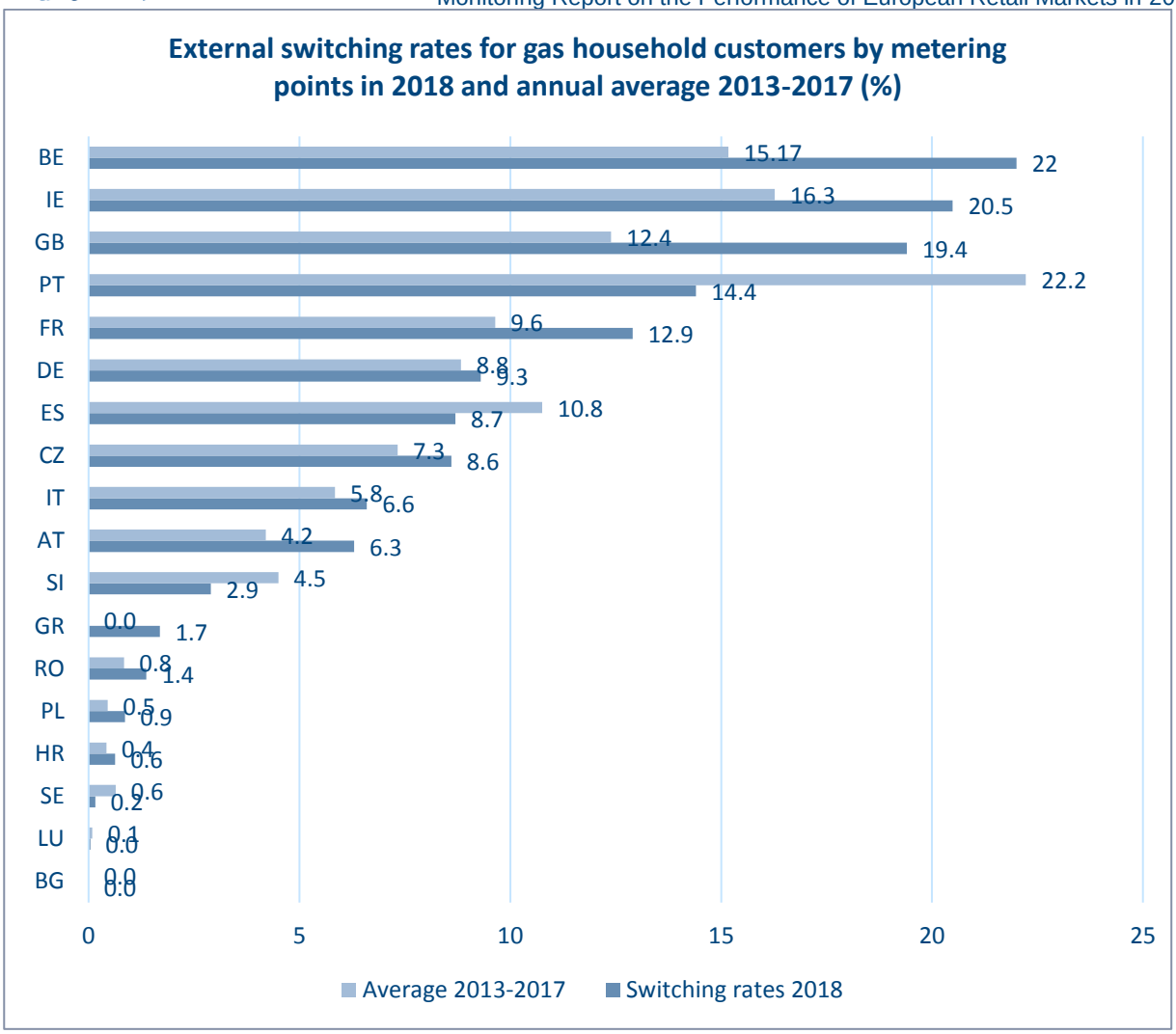


Figure 17: Switching rates for gas household customers in 2018 and annual average 2013-2017 (%; by metering points) for selected countries

Figure 17 shows the switching rates for gas household customers by metering points in 2018 and the annual average in years between 2013 and 2017. The highest rate for 2018 was reported by Belgium (22%), the lowest by Bulgaria (0%) and Luxembourg (0.04%). Countries besides Belgium with a relatively high switching rate in 2018 (at least 10%) are France, Great Britain, Ireland and Portugal. Despite the high switching rate for 2018 in Portugal a decrease in comparison to the 5-year average can be observed (-7,8%). Reporting countries with a very low switching rate (below 1%) are Croatia, Poland and Sweden.

The comparison between the latest developments in 2018 and the five preceding years does not show a clear trend. In some countries switching rates for gas household customers in 2018 were higher than the average from 2013 to 2017, while in some countries it is the other way around.

As shown in Figure 18, Norway is the country with the highest increase in external switching rates in electricity, compared to the previous year (+2.6%). A significant increase was also reported by France (+2.0%). This long-term trend is consistent with the rapid increase in the number of active suppliers since 2014, which has led to greater variety of products and sustained price differentials in the market. Over the same period, various information campaigns have contributed to raising consumer awareness about the benefits of engagement, while the internet has become the main tool for consumers to compare tariffs and switching possibilities. More recently, resurgence in

direct sales activity, especially from small and medium suppliers, also has contributed to higher switching rates. However, the switching rate has decreased the third year in a row in Portugal (-2.6%). The decrease between 2017 and 2018 was only higher in Estonia (-3%). Overall, the data shows a heterogeneous development of switching rates.

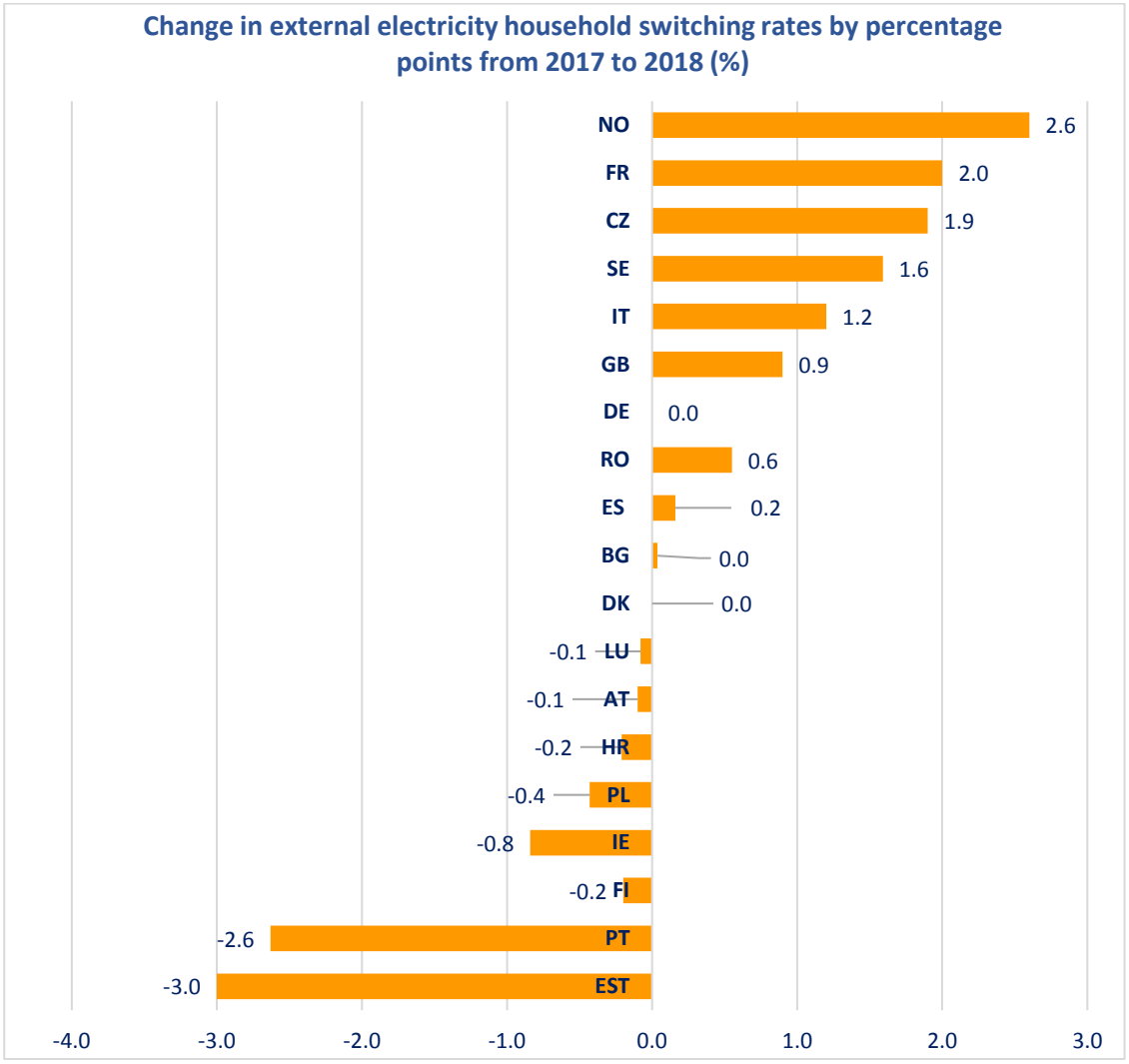


Figure 18: Change in electricity switching rates of household customers from 2017 to 2018 for selected countries (in percentage points)

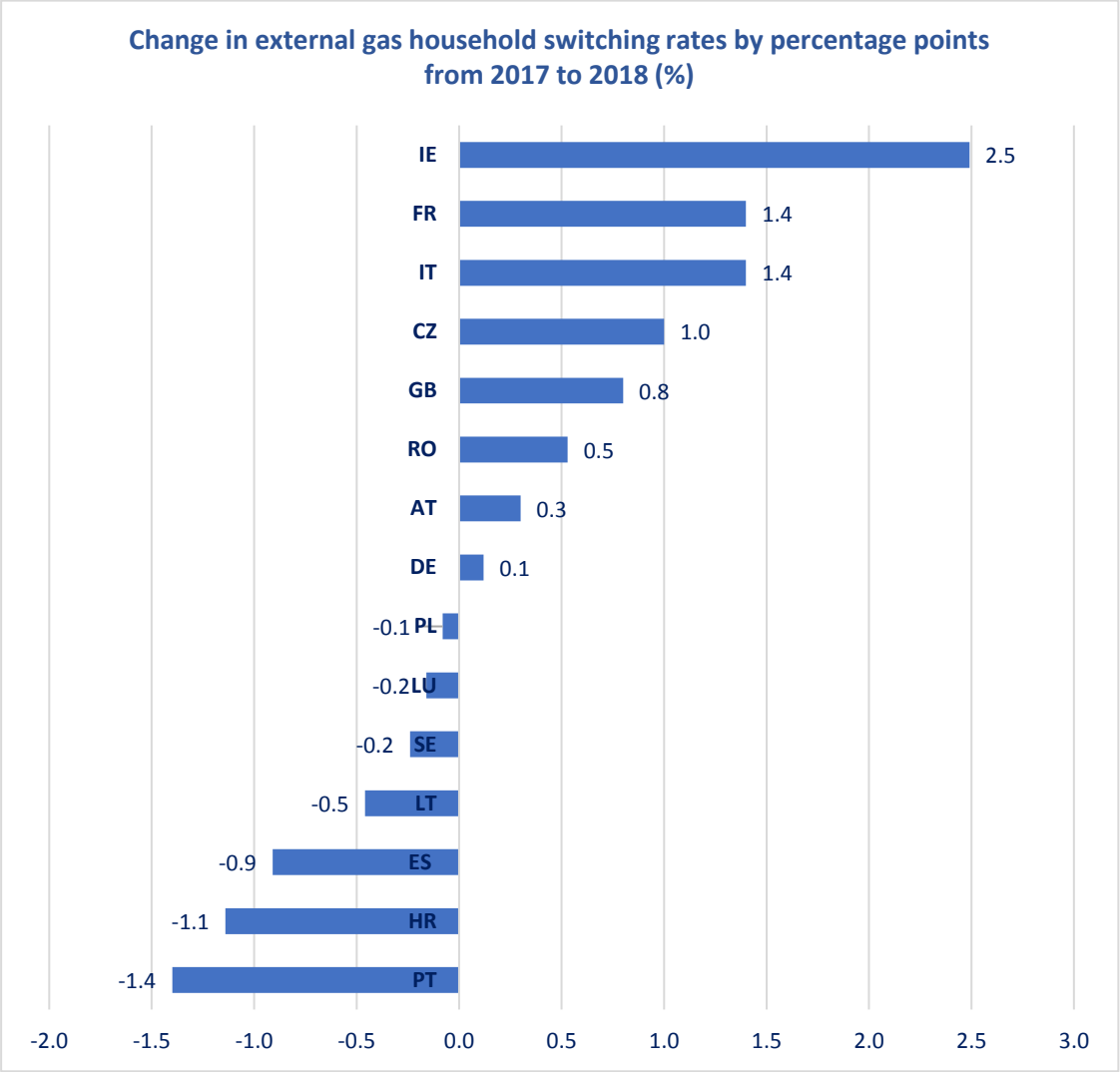


Figure 19: Change in gas switching rates of household customers from 2017 to 2018 for selected countries (in percentage points)

According to Figure 19, the countries with the highest increase of the external switching rate in gas (at least 1%) compared to the previous year (2017) are Czech Republic, France, Ireland and Italy. In France this can be explained by customers switching from regulated tariffs to market offers in gas, also because of the upcoming law on the removal of gas regulated tariffs for households. Countries with the greatest decrease (at least minus 1%) compared to the previous year are Croatia and Portugal.

To support switching, the Austrian Association on Consumer Information (VKI) has started collective switching campaigns in 2013 where consumers can register non-bindingly online. In an auction the VKI will choose the cheapest electricity and gas supplier and send a non-binding offer to all customers registered, who can accept or reject the offer. If the consumer wishes to accept the offer the switching process is started. Even though the winner of the auction offers good prices, it does not necessarily mean that it is always the cheapest for each consumer. In 2019, two auctions took place: one in January and because of success, a second one in March.

2.2.2 Internal switching

A change of product or contract with the same supplier (renegotiation/choosing a different option) is defined as internal switching. This is the case whenever customers have renegotiated their contracts with their existing suppliers. Automatic roll-overs and changes of contract that only affect payments are excluded. Like switching the supplier, a switch of contract requires an active decision by the customer. Every switch (external and internal) is a market activity and a sign of a competitive environment on the retail market. Data for annual internal switching rates have been collected from CEER since the reporting year 2015, however, the number of countries reporting is limited.

Figure 20 shows the developments of internal switching for electricity (and gas) household customers in the years 2017 and 2018. Like external switching rates, the level of internal switching is quite different between MS. In 2018, the highest rates for electricity are reported by Great Britain and Poland, the lowest rate by Luxembourg.

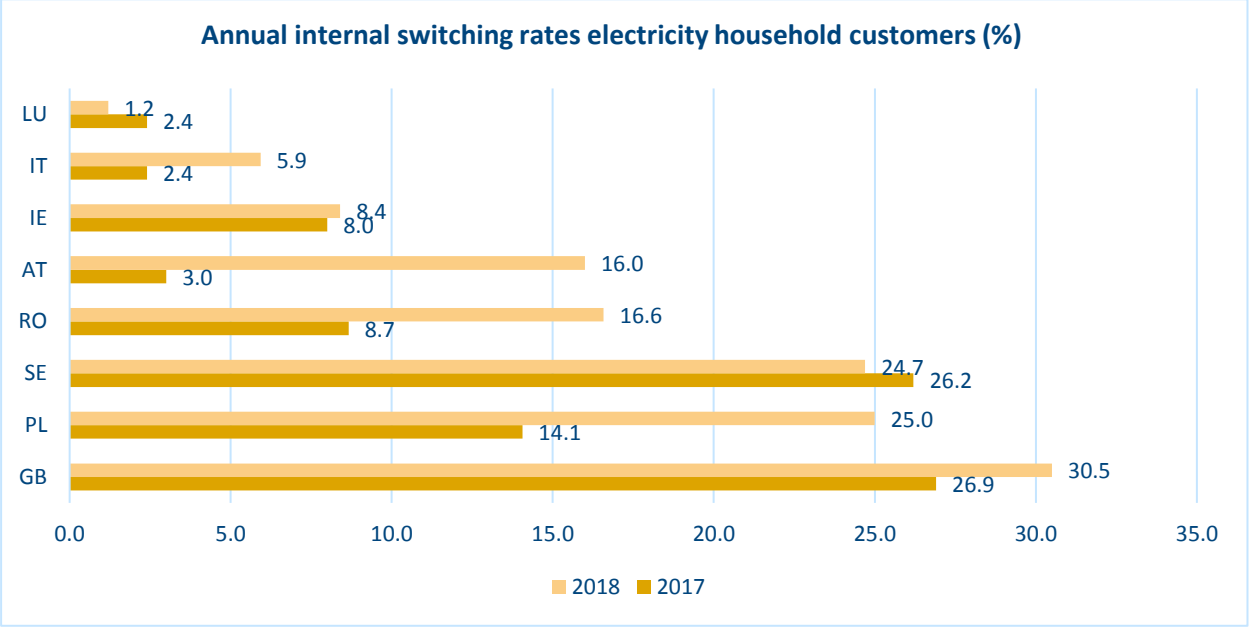


Figure 20: Annual internal switching rates for electricity household customers for selected countries (%; by metering points)

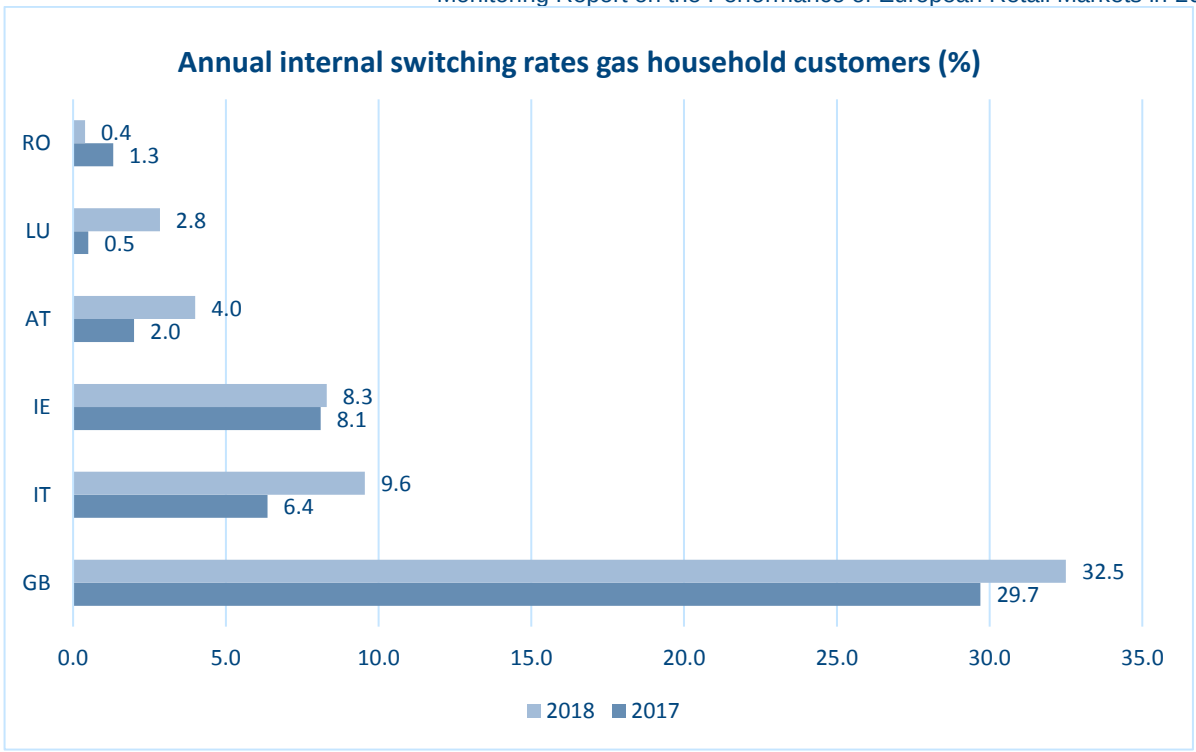


Figure 21: Annual internal switching rates for gas household customers for selected countries (%; by metering points)

Figure 21 also shows the developments of internal switching rates for gas household customers in the years 2017 and 2018. Like the rates for gas external switching, the level of internal switching across MS is quite different as well. The highest rate is reported by Great Britain (32,5%), followed in great distance by Italy (9,6%), while the lowest rates can be observed in Romania and Luxembourg (0.4% and 2.8%).

2.2.3 Switching activities of customers with regulated prices

Only Bulgaria, Poland, Portugal and Spain reported any switching activities for regulated prices in 2018.[18] In 2018, Portugal was the country with the highest electricity switching rate of the countries that reported any switching activities out of regulated prices (5%), followed by Spain (2,6%). In the gas sector, also Portugal and Spain reported any switching activity >0%. Switching into regulated prices is a rare phenomenon, all countries reported values smaller or equal than 2%, even though the value increased compared to 2017. In the gas sector only, Poland and Spain reported the switching rates into regulated prices for the year 2018 (<1%).

MS	Percentage of household customers with regulated prices		Annual switching rate out of regulated prices		Annual switching rate into regulated prices		MS
	Electr.	Gas	Electr.	Gas	Electr.	Gas	
PL	96,2%	100,0%			0,1%	0,9%	PL
ES	35,2%	20,2%	2,6%	0,8%	1,6%	0,2%	ES
PT[1]	18,2%	19,0%	5,0%	1,2%	2,0%	0,0%	PT
BG	99,5%	100,0%	0,0%	0,0%	0,6%		BG

Table 1. Overview of switching rates in and out of regulated prices in 2018

[18] More information about countries with intervention in price setting and in price regulation can be found in chapter 4.

2.3 Non-Household segment

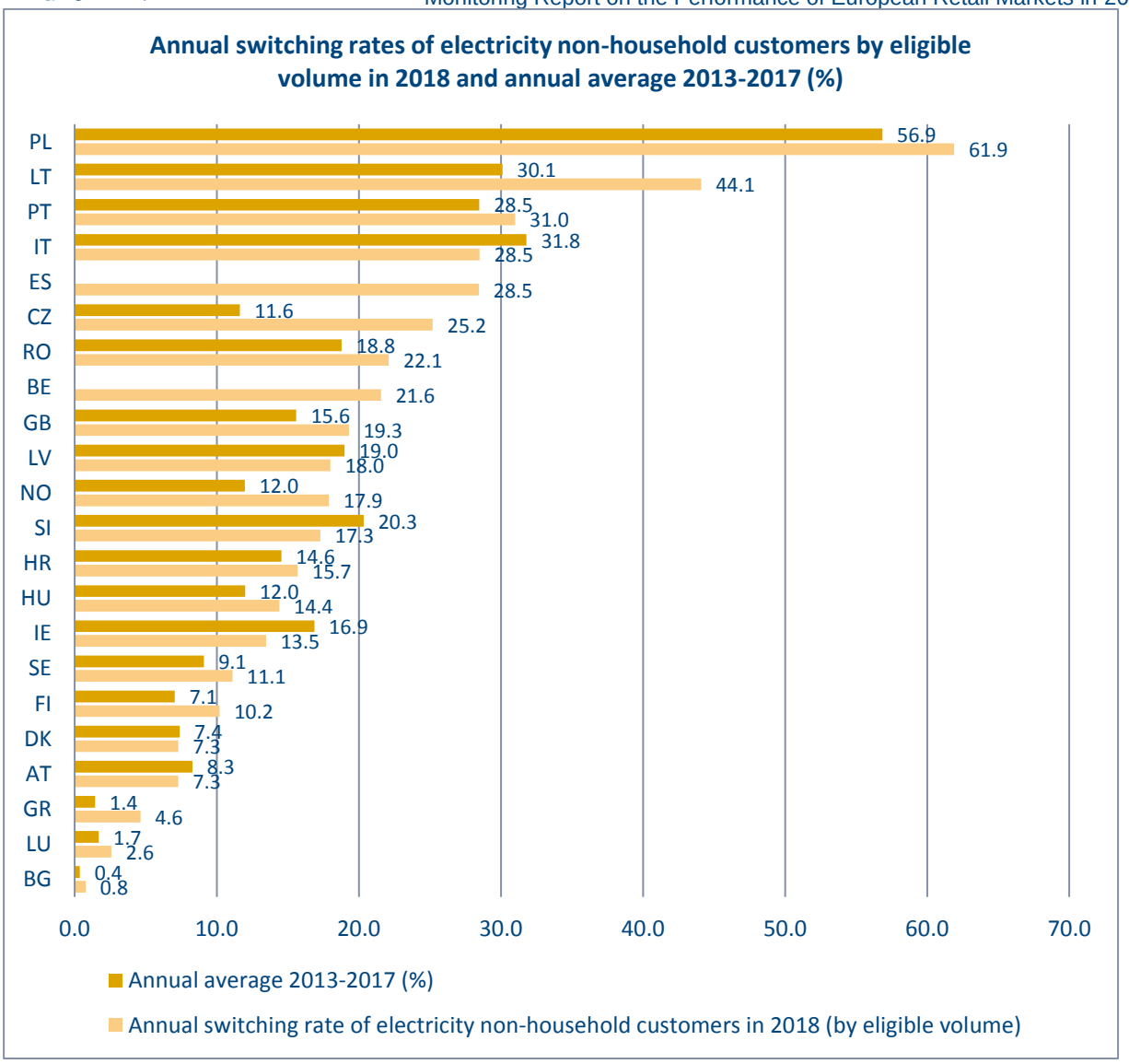
Compared to household customers, switching behaviour of non-households is more sensitive to market developments (e.g. prices) and available information. For this reason, the European averages over the years and the data collected on an MS basis are generally higher than the ones for households. One important reason is certainly the strong incentive for industry and other non-household customers to minimise costs which yield higher saving potentials if one considers higher consumption.

Therefore, non-household consumers are generally in a more intensive exchange with their suppliers and have sufficient know-how on technical, legal and economic aspects of switching. This knowledge helps them to easily compare suppliers and switch more frequently.

2.3.1 Annual switching rates

Annual switching rates of non-household customers are determined in many countries by eligible volume instead of metering points. Figure 22 shows the switching rates for electricity non-household customers in 2018 and the annual average for 2013-2017. For electricity, countries with a high switching rate are Czech Republic, Italy, Lithuania, Poland, Portugal and Spain[19] (at least 25%). Explanations can be mainly found in economic reasons and current market developments: e.g. in Lithuania, high annual switching rates of non-household customers are determined by increasing competition in the market when independent electricity suppliers are trying to entice large customers by favourable electricity consumption offers, while customers are also increasingly active in the market seeking favourable solutions.

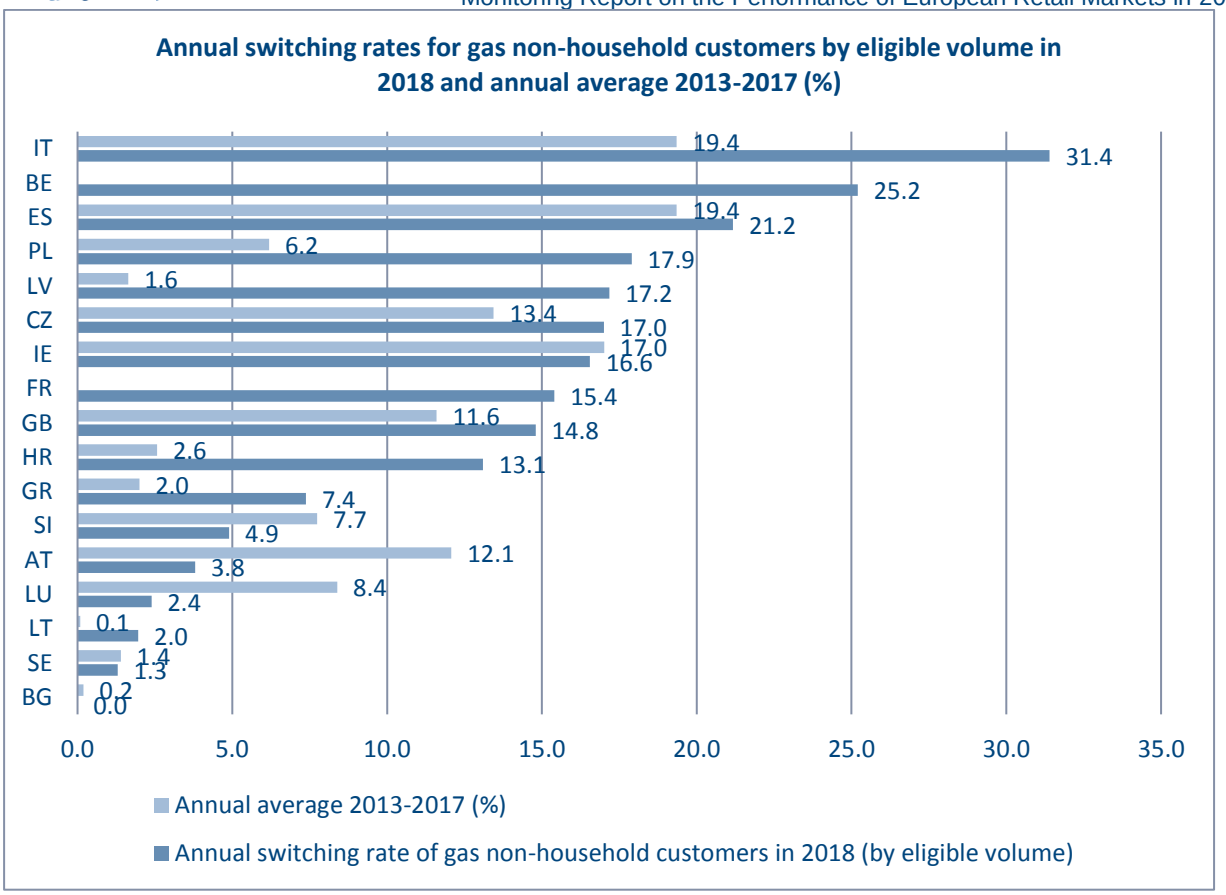
[19] CZ: The significant increase in the number of changes executed in September 2018 was due to the transfer of a portion of the customer portfolio from ČEZ Prodej, a.s., to ČEZ ESCO, a.s. (internal switching within group ČEZ). The transfer was carried out on the basis of standard requests for change of electricity supplier. The total number of changes of electricity supplier was also affected by a substantial increase in demand for change of supplier in the spring of 2018 stemming from the winding down of electricity supply activities of the company One Energy & One Mobile, a.s., whose licence was revoked in March 2018. As a result, the company's customers had to ensure electricity supply from a new supplier.



Notes:
IE and GB: Annual switching rate provided here is by metering points. Annual switching rate by eligible volume is not available.
DK: The Datahub does not apply the terms household customers and non-household customers. Instead, the Datahub differentiates between customers based on settlement methods. Household customers are defined as the metering points that are either profiled or flex settled (< 100.000 kWh annual consumption) whereas non-household customers are defined as metering points that are hourly settled (> 100.000 kWh annual consumption).

Figure 22: Annual switching rates for electricity non-household customers by eligible volume in 2018 and annual average 2013-2017 (%)

Figure 23 displays the switching rates for gas non-household customers in 2018 and the annual average 2013-2017. Countries with a high switching rate in 2018 are Belgium, Italy and Spain (at least 20%). Reporting countries with low switching rates (below 2%) are Lithuania and Sweden.



Notes:
FR, IE and GB: Annual switching rate provided here is by metering points. Annual switching rate by eligible volume is not available.
LV: Value for non-household customers to whom supply of natural gas has been commenced from all non-household customers in 2018.

Figure 23: Annual switching rates for gas non-household customers by metering points in 2018 and annual average 2013-2017 (%)

As in the household segment, switching rates for non-household customers differ significantly between MS. The comparison of the year 2018 with the average of 2013 to 2017 shows that in many MS the non-household gas and electricity consumers were quite active in terms of switching rates in 2018. Compared to electricity consumers, gas consumers switched obviously more above the average value of the previous years. This can be explained by the price development in both sectors last years. The retail volume of the ACER-CEER Monitoring Report 2018 indicates that while the electricity prices fell on average by 2,2% for industry, it increased by 13,4% in the gas sector.

2.4 Case Study: Switching procedures in Electricity Sector in Spain

Some of the entry barriers related to supplier activity may be avoided by improving switching processes to suppliers. A range of tools may be offered to suppliers by policy makers and range from clearly defined switching procedures, easy access to data bases where information about switching is available or the existence of comparison tools. Besides this, supervision of the effectiveness of switching procedures is a tool used by Regulators in order to get information on how this aspect of the market is functioning.

Standardised switching protocols

With the objective to promote agile telematics exchange of information between suppliers and distributors for electricity and gas, Spanish regulator CNMC maintains updated formats of files for the exchange of information between suppliers and distributors and approves them by Resolution. CNMC organises several working sessions on a monthly basis with distributors and suppliers, consumers associations, and large consumers. The protocol includes, among others, switching procedures in access, modification of access data, contract cancellation, recruitment of contract, claims, invoicing protocols and notification of changes.

This continuous work on enhancing protocols, allows improvement in switching procedures reducing, among others, the average time for switching and the number of rejected switching requests.

Switching data

Reference suppliers and liberalised market: The Act 24/2013 of the Power Sector and the Royal Decree 216/2014 modified the regime of the last resort supply and introduced the dynamic offer called PVPC (Precio voluntario al pequeño consumidor) for consumers with a contracted power connection below 10 kW. In the PVPC system[20], the energy price paid by consumers is the price resulting from the day-ahead spot market price and ancillary services cost during the billing period. The objective of this mechanism is to avoid that the risk premium is internalised in long-term energy markets. Customers equipped with smart meters (more than 98% in 2019) are billed based on hourly metered consumption and prices. The 'reference suppliers' (COR) have the obligation to apply these prices to small consumers that wish to be supplied at a variable price. Additionally, the reference suppliers have the obligation to offer a price which is fixed for one year, is not regulated and can be freely set by these suppliers. This is because some consumers may wish to choose an ex-ante fixed price instead of an ex-post variable price. However, most small consumers have variable price contracts. So, only 'Reference Suppliers'[21] have to offer PVPC and are not allowed to offer any other type of product.

In the past four years, the number of metering points supplied by Reference Suppliers has been reduced gradually; passing of the almost 14.1 million registered December 31, 2014, to 11.3 million four years later, which implies a decrease of 20%.

Market	2014		2015		2016		2017		2018	
	Consumers	% Total	Consumers	% Total	Consumers	% Total	Consumers	% Total	Consumers	% Total
Liberalizased	14.799.113	51,2%	16.023.886	55,3%	16.884.410	58,0%	17.707.295	60,5%	18.149.356	61,7%
COR	14.084.083	48,8%	12.940.056	44,7%	12.205.476	42,0%	11.565.048	39,5%	11.261.291	38,3%
TOTAL	**28.883.196**	**100%**	**28.963.942**	**100%**	**29.089.886**	**100%**	**29.272.343**	**100%**	**29.410.647**	**100%**

Source: CNMC.

Table 2. Evolution of subscribers per market type between 2014 and 2018 - Electricity Sector

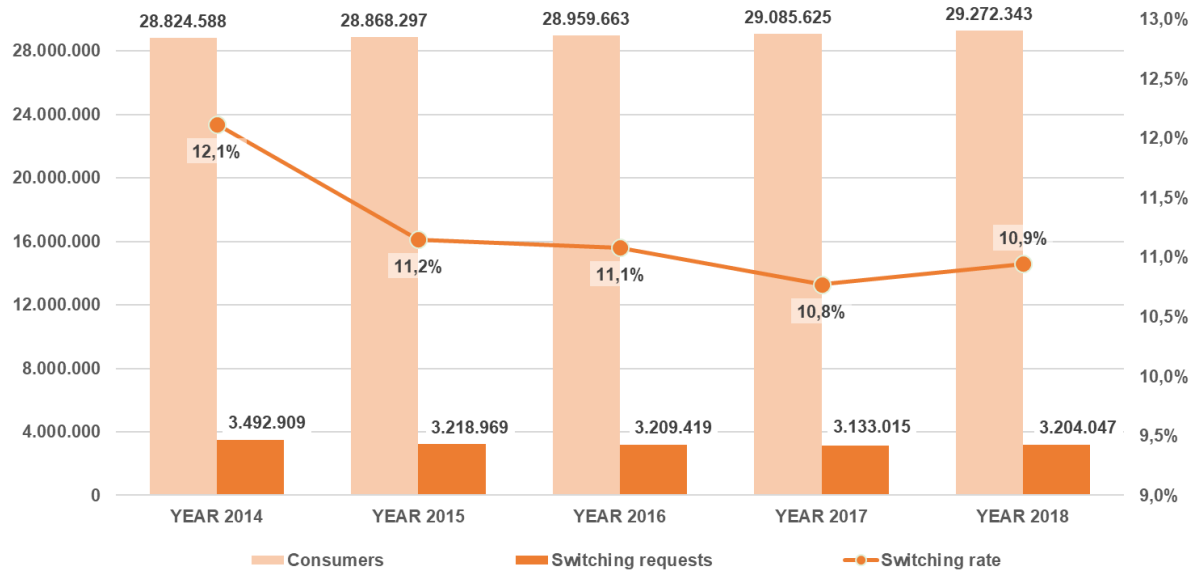
In the electricity sector, until December 31, 2018, suppliers of the five incumbents (NATURGY, ENDESA, IBERDROLA, EDP, REPSOL[22]), supplied 86.5% of the total number of metering points.

[20] PVPC is the electricity price-setting system that is applied to the electricity bill of those consumers whose contracted power does not exceed 10 kW and who do not have a free market supply contract in force. For more details see ES Case Study in the CEER Report Implementing Technology that Benefits Consumers in the Clean Energy for All Europeans Package

[21] There are eight Reference Suppliers in Spain. Six of them (Endesa Energía XXI, Iberdrola Comercialización de Último Recurso, Gas Natural SUR, EDP Comercializadora de Último Recurso, Viesgo Comercializadora de Referencia and CHC Comercializador de Referencia) operate at national level, while the other two (Comercializadora de Ceuta and Teramelcor) operate at local level.

[22] In November 2018, REPSOL acquired Viesgo's low-emissions assets and retail business. Viesgo was one of the Spanish energy incumbents.

The annual electricity switching rate for 2018 was 10.9%, corresponding to 3,204,047 activated requests (annual switching including household and non-household consumers). It is observed, on the one hand, that the number of metering points in the sector has steadily increased on a year-to-year basis, while, on the other hand, the number of activated switches showed a different picture by shrinking steadily and then increasing again in 2018.

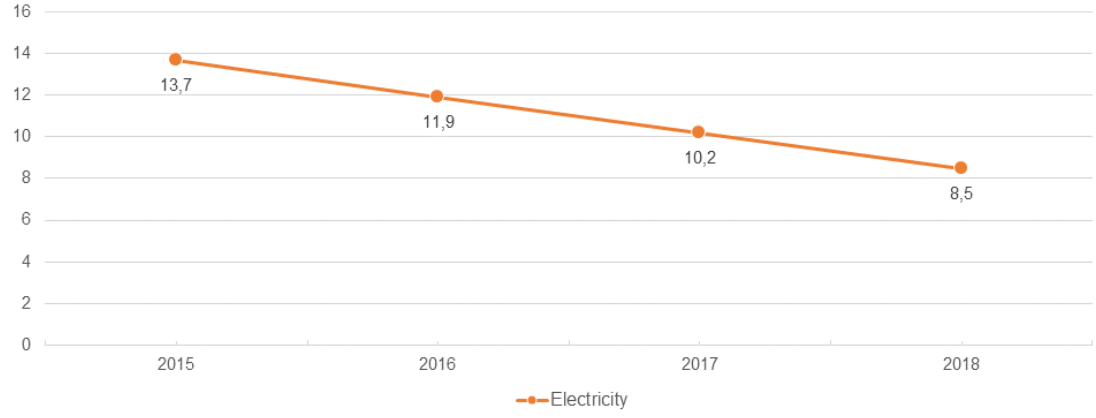


Source: CNMC

Figure 24: Switching evolution per market type between 2014 and 2018 – Electricity sector

Average time to switch. Supplier perspective

During 2018, the average time for switching supplier was 8.5 days. This meant a general reduction of the average times compared to the previous year where the average duration for a switch was 10.2 days. Switches following door to door sales took more time than switches carried out through different channels. The main reason for this were checks and confirmation procedures made by suppliers that took place before approval of the contracts.



Source: CNMC Note: Meantime in days.

Figure 25: Average time of switching process. Years 2015 – 2018. Electricity sector

Average time to switch. DSO's perspective

As a result of the analysis, an average time of activation of 3.1 days is observed for the majority of the 2.7 million requests activated during 2018. In 2017 a registered average time of 4 days

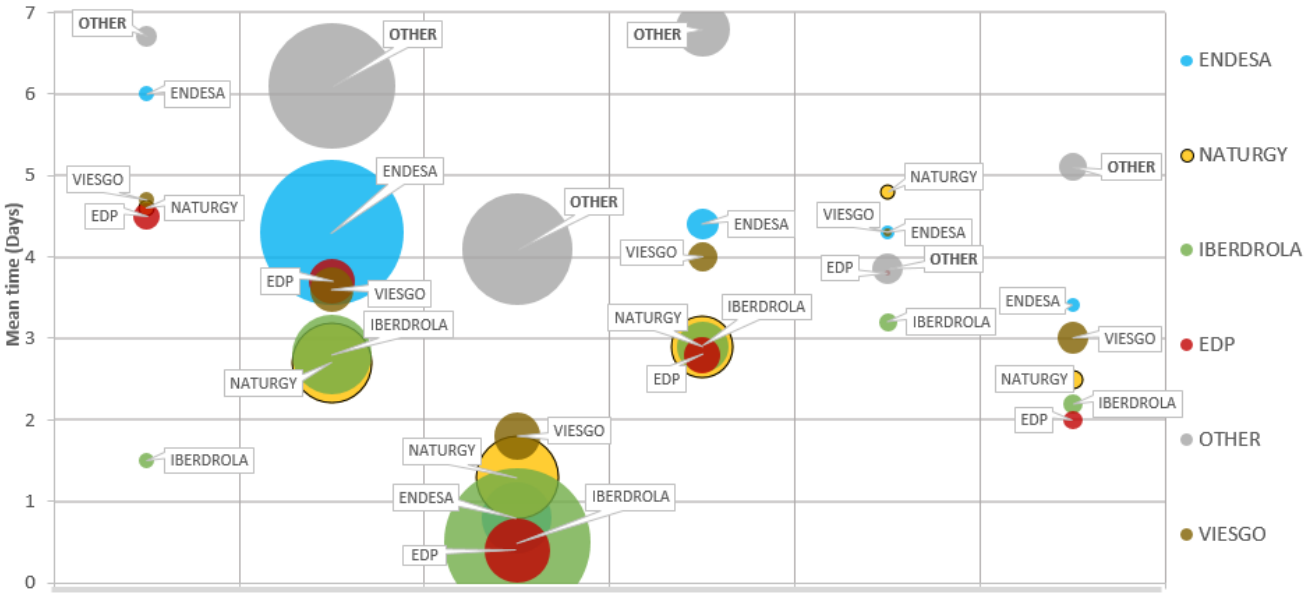
could be noted for electricity, so there has been a considerable reduction when comparing the two years (-0.9 days).

ELECTRICITY DISTRIBUTION GROUPS	Switchings	Meantime (days)
IBERDROLA	1135082	1,5
VIESGO	67365	3,3
OTHERS	39747	3,9
NATURGY	273037	4,0
ENDESA	1168176	4,4
EDP	45491	4,8
TOTAL	**2728898**	**3,1**

Source: CNMC.

Table 3. Switching meantime requested by suppliers in the main distribution area 2018, Electricity sector

In order to monitor any activity undertaken by DSOs, the average times it takes to switch to different suppliers are illustrated in the figure below by disaggregating by distribution areas. The size of the circle area corresponds to the number of requested activations by major suppliers in the area of DSOs.



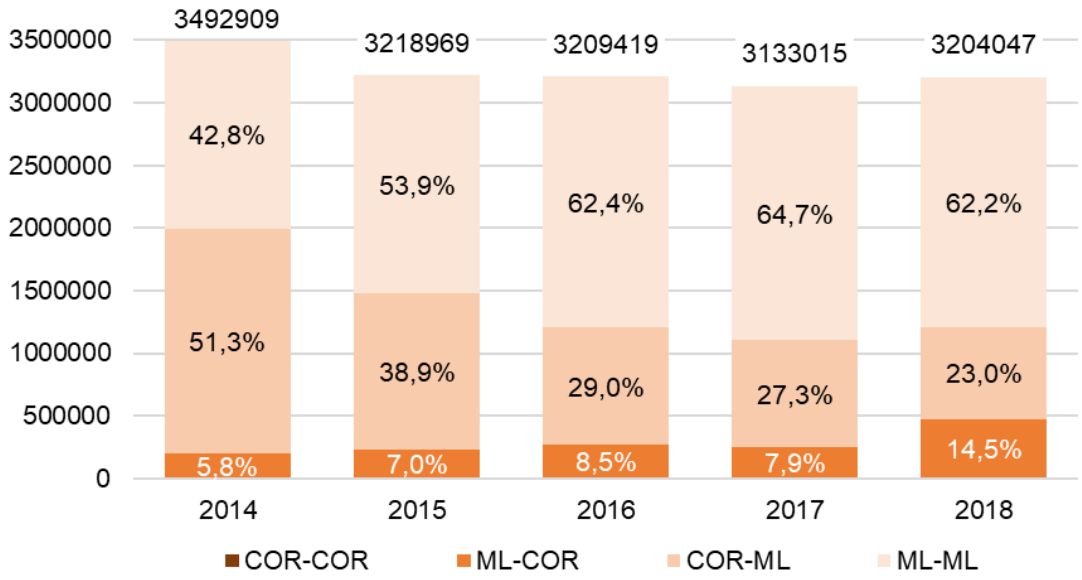
Source: CNMC

Figure 26: Spread of suppliers average time for a switch in the main distribution areas 2018 – Electricity sector

Analysis of reference suppliers and liberalised market switching

An analysis regarding the type of customer activity is also undertaken by CNMC, i.e., from the incumbent to the liberalised market; within the liberalised market (ML) and back to the incumbent.

In the electricity sector, there were 2.3% more activations than in the year before; and as in previous years, the majority of movements occurred among liberalised suppliers (62.2% between ML-ML), and between consumers who moved from the incumbent to the liberalised market (23% between COR-ML). Also, switching back to the incumbent has increased (14.5% between ML-COR).



Source: CNMC

Figure 27. Switching between COR and ML years 2014 y 2018 – Electricity sector

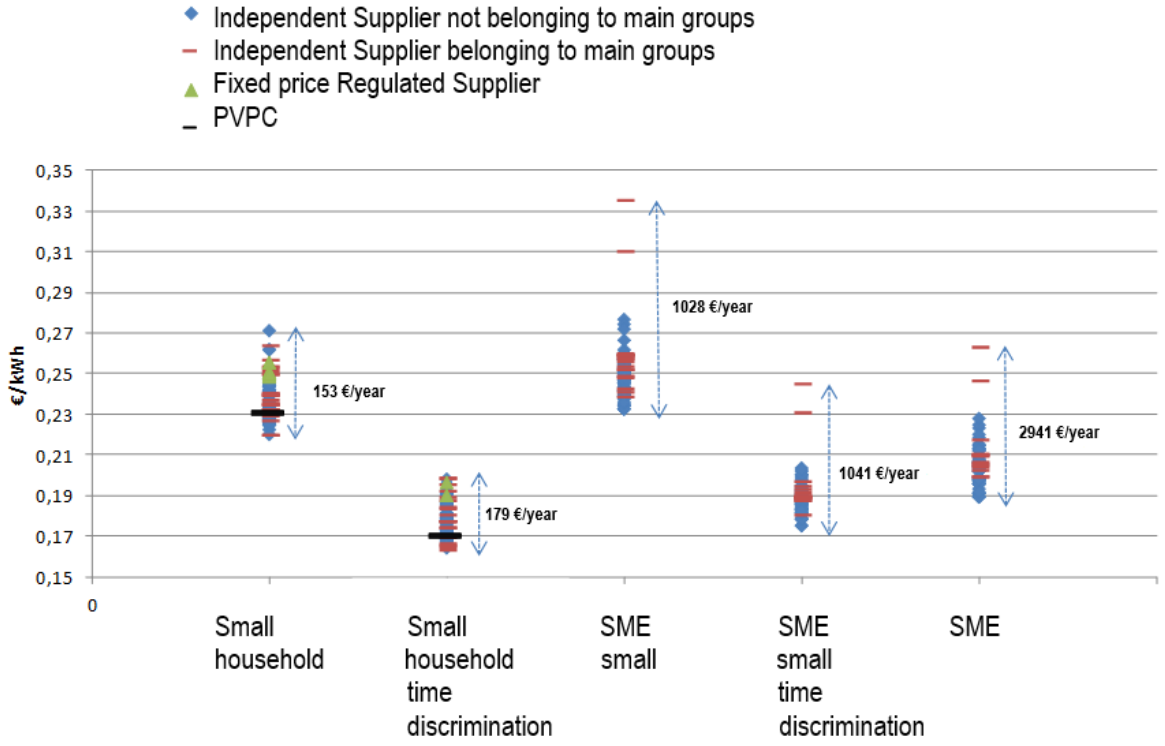
Analysis of offers in the electricity sector. CNMC Comparison tool

There are many different types of offers, for example liberalised market offers linked to the price of the wholesale market with different profit margins, offers with varying prices that discriminate between different time periods such as those which differentiate between weekdays and weekends or hours.

The suppliers offer fixed prices for one year after signing the contract as well.

Suppliers publish flat tariff offers too, which set a flat monthly fee for an annual maximum consumption (kWh/year) and a surcharge in the event of excess consumption.

The following figure shows average prices for electricity without additional services published in the price comparison tool of the CNMC in 2017, indicating the difference between the most expensive and cheapest offer for each consumer type. The chart includes the level of the PVPC among the different price offers, and it can be observed that the PVPC lies in the middle of those offers.



Source: CNMC.

Figure 28. Price spread and annual amount of the offers in electricity sector. 2017.

2.5 Offers

A well-functioning market is characterised by innovation and the range of products and services offered to consumers. In general, retailers' ability to offer a significant number of commercial options – coupled with consumers' ability to compare the offers and take informed decisions – is a sign of a healthy competitive market and innovation.

The Electricity Directive (2019) underlies that several factors can hinder consumers from accessing, understanding and acting upon the various sources of market information available to them. It follows that the comparability of offers should be ensured and barriers to switching should be minimised to the greatest practicable extent without unjustifiably limiting consumer choice. In order to assess the situation and hence the correct variety of products the NRAs have been asked to indicate the availability of following products:

Offer type	**Description / Examples**
Variable	(i.e. price paid per unit of gas or electricity used can changes at any time)
Fixed	(i.e. an offer that guarantees that the price paid per unit of gas or electricity used will not change for a given period of time
Mixed	(i.e. based on both fixed and variable components)
Variable spot based	(i.e. variable price based on the wholesale market spot price)

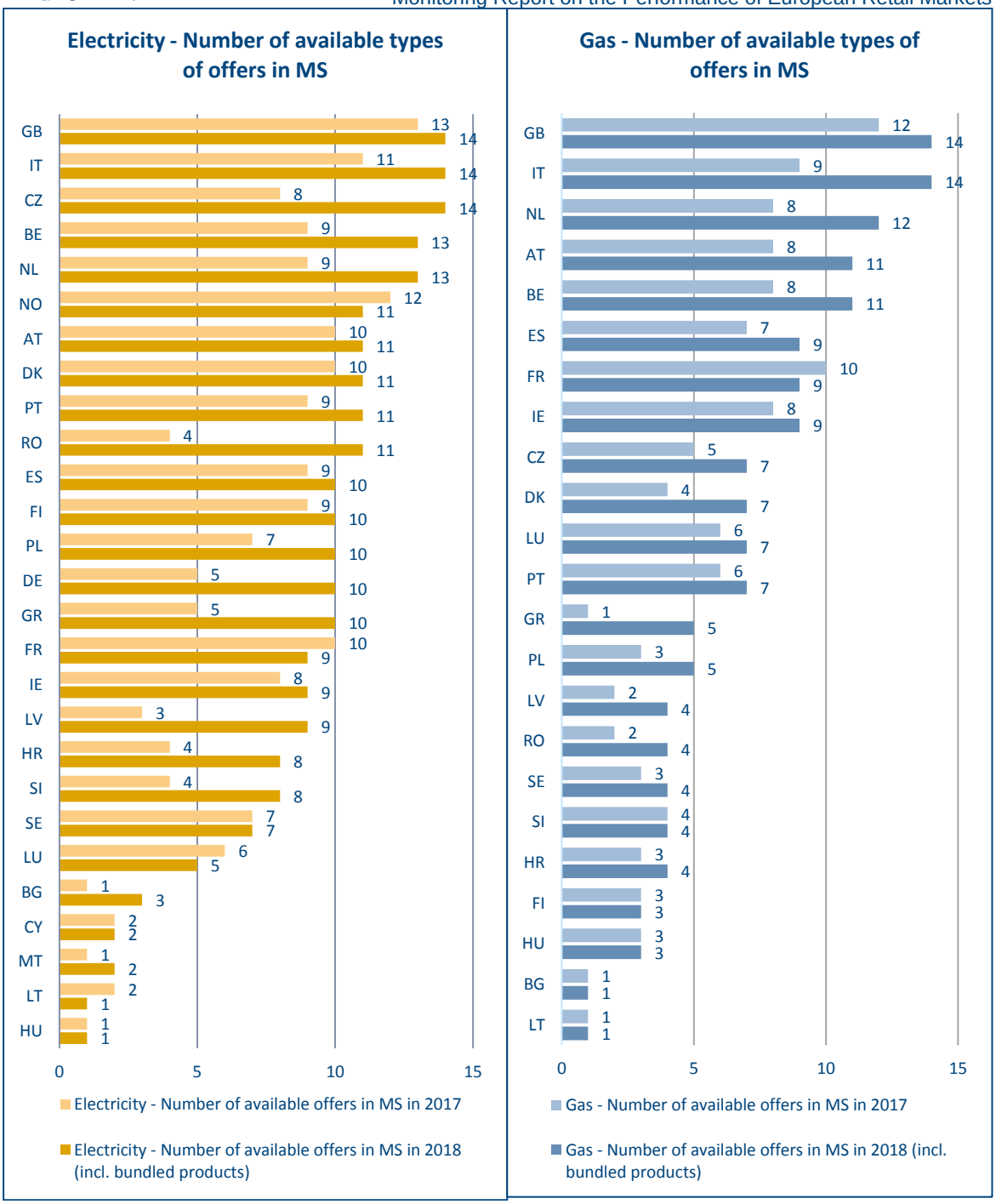
Variable wholesale price based	(i.e. settled against monthly/weekly average wholesale price)
Capped	(i.e. guarantees that the price paid per kWh for gas or electricity will not rise beyond a set level for a given period of time, but may go down – usually for this certainty customers pay a small premium)
Indexed variable	(i.e. similar to spot-based which is linked to wholesale, but linked for example to standard incumbent offer with guaranteed discount of x% or to RPI)
Green	(i.e. offers based on renewable generation resources like hydro, solar, wind, biomass etc.)
Online	(i.e. with savings/discount for managing accounts online, online billing)
Social	(i.e. offers for vulnerable consumers)
Guaranteeing the origin of energy	(any energy source other than green or country)
With monetary gains	(e.g. discounts, supermarket vouchers, etc.)
With additional services	(e.g. energy efficiency services, boiler maintenance etc.)
Bundled products	(e.g. in combination with telecommunication services)
Other. Please specify	(i.e. other pricing offers that does not fit any of above descriptions)

Table 4. Definitions of offer types

Independent of the regulatory framework in analysed electricity markets, a positive trend regarding a growing number of offers in Europe can be observed: consumers in 22 out of 27 MS have five or more options which is four more than last year. In the remaining five countries the markets have not been fully liberalised yet. So, it seems likely that there is a relationship between the regulatory framework and the variety of offers available to consumers. The development in particular in many Eastern and Southern European countries such as Romania, Latvia, Greece, Czech Republic, and Croatia can be positively observed, where electricity consumers had access to at least three more offers compared to 2017.

The variety of gas offers is generally lower than in electricity products. This has different reasons: firstly, natural gas is a primary energy source and is not that diversified yet in its generation as electricity. Secondly, gas markets have been opened to liberalisation later than electricity markets in many countries and thus there is a time difference in terms of product variety. Another reason could be the perception of the consumers that any problems during the switching process could create more trouble in their households. CEER data shows that consumers in 14 out of 23 countries have the choice between five or more different type of offers which is less than on electricity markets, where the number was 11 last year.

There are also very few countries where the number of offers in electricity and gas markets has decreased since 2017. The main reason for such marginal decreases is legal changes as termination of social tariffs.



Notes:
- DK (Electricity): The product categories "Variable", "Variable spot based" and "Variable wholesale prices based" are merged into one category. The categories "Guaranteeing the origin of energy" and "Green" are also merged into one category. Therefore, two main categories are products based on fixed and variable prices. Many suppliers offer these two main categories also as green products, based on renewables.
- LT (Electricity): Numbers represent only offers from public suppliers (regulated prices).
- LU (Electricity): Guaranteeing the origin of energy: All residential products are labelled 100% renewable. In that sense there are no residential products that are "Guaranteeing the origin of energy other than green and local". In principle, such guaranteeing exists, and it is applied to non-household products.
-HU (Gas): The majority of suppliers don't offer services to household consumers at all. Virtually all household consumers (99%+) purchase gas from the state-owned universal service provider. Bundled products and products with additional services as per "with additional services" and "bundled products» are not available but several suppliers offer additional energy related services or insurance (health & home) to their consumers at an additional fee.
- FI (Gas): All or almost all suppliers offer fixed price. Other products are not typical.
- DK (Gas): The product categories "Variable", "Variable spot based" and "Variable wholesale based" are merged into one category.

Figure 29: Number of available types of offers in respective MS

When it comes to the dissemination of different offers in MS, an obvious place of growth can be observed regarding the availability of online tariffs in electricity. Compared to 2017, consumers in six more MS had online offers last year. Other products such as different pricing options and guarantees of origin are on the rise, too. The trend to online deals or offers with guarantees of origin shows that there is an increasing demand and hence, economic and ecological awareness of electricity consumers and consequently companies offer more online products. This is an indication of European companies' adaptability to technological developments and greater incentives to reduce their costs, e.g. for billing.

Interestingly, the figure on the online offers did not change in the gas sector. Nevertheless, more gas consumers in the EU were able to choose between different pricing options and green gas offers. Behind the increasing interest on different pricing options (as variable spot based) lies an easier access to information and simultaneous data exchange via new technologies.

For the first time, CEER has collected data on bundled products: in recent years, consumers have increasingly purchasing so-called "bundled products". These are marketing packages of combined products and/or services within a sector or across several sectors, for example broadband bundles (e.g. internet/fixed telephone/TV/mobile telephony services) or products bundled across multiple sectors (e.g. energy and household insurance; banking and travel insurance; or other combinations). The potential complexity, and multi-sectoral nature, of such products raises the question of how to help consumers make better choices when facing with complex products and markets. In CEER's survey, questions on offers with additional services indicate any other services within the energy-sector, whilst questions on bundled products cover cross-sectoral combinations of services or products. For example, the electricity data shows that bundled products are available in the majority of European countries, namely in 18 out of 27 MS (RO, LV, PL, UK, IT, PT, FI, BE, AT, HR, GR, CZ, NO, SI, DK, NL, DE, ES). This number is eight out of 23 for gas (GR, CZ, DE, ES, NL, AT, GB IT).

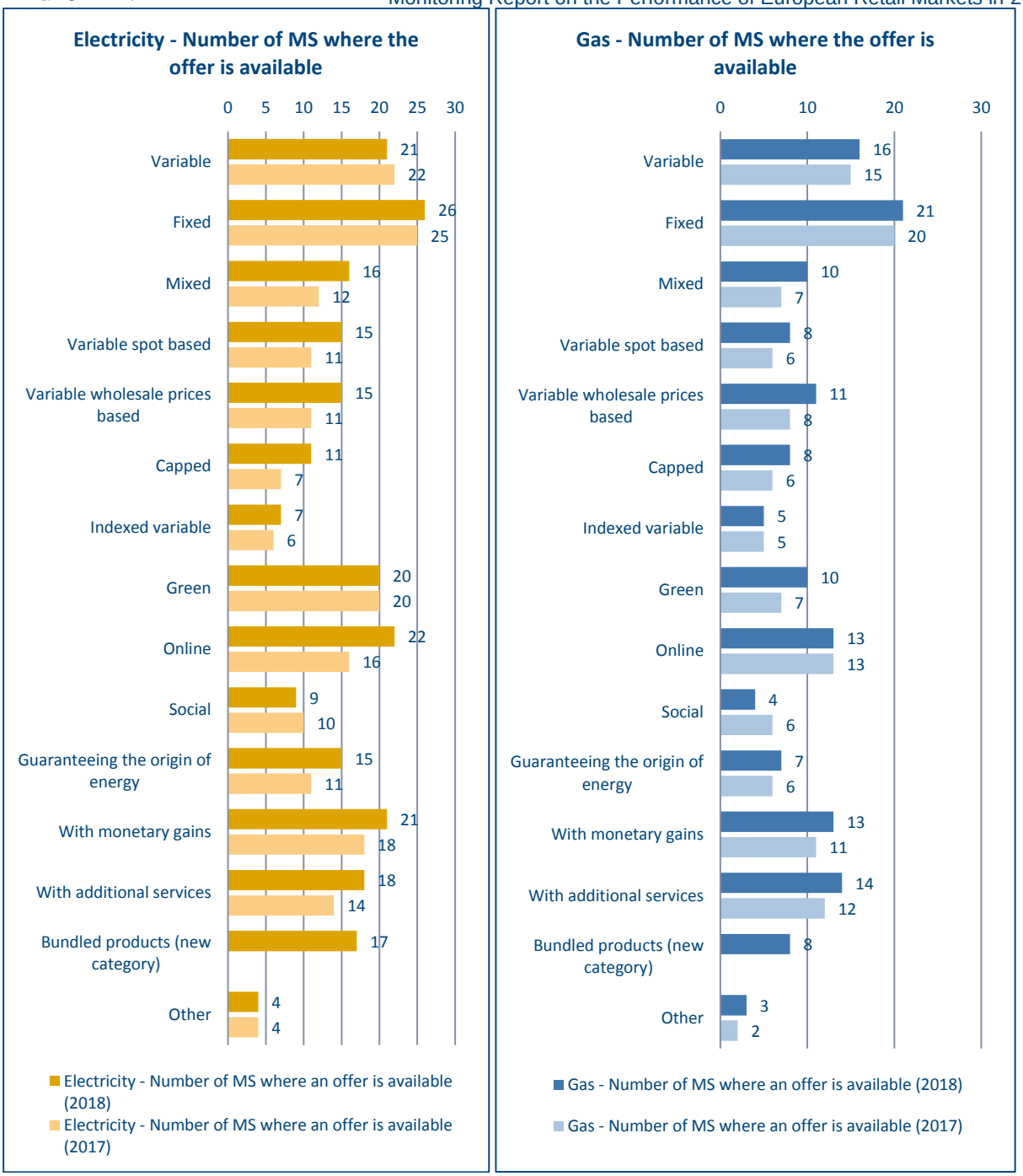


Figure 30: Number of MS where the offer is available

Less NRAs indicated having social tariffs in 2018. However, this information needs to be evaluated with caution as protection of vulnerable consumers is ensured in Europe in different ways (e.g. National Energy vs. Social Law) and the data might lead to distorted conclusions. When it comes to “other” offers, CEER recorded that some suppliers offer products, which do not fit perfectly by the classification proposed above.

In addition to the number of different offer types in national markets, CEER attempts to identify how many companies are offering certain products. Even though the data is very limited yet, some

NRAs were able to provide interesting results. E.g. in Norway and Portugal, many suppliers (51-90%) are offering online products, in France it is less than 10% yet while indexed variable, green offers and tariffs with origin guarantee are well spread in France (51-90% of all suppliers offer them).

According to the Clean Energy Package, Electricity Directive (2019), all consumers should be able to benefit from directly participating in the market, in particular by adjusting their consumption according to market signals and, in return, benefiting from lower electricity prices or other incentive payments. The benefits of such active participation are likely to increase over time, as the awareness of otherwise passive consumers is raised about their possibilities as active customers and as the information on the possibilities of active participation becomes more accessible and better known. Consumers should have the possibility of participating in all forms of demand response. They should therefore have the possibility of benefiting from the full deployment of smart metering devices and, where such deployment has been negatively assessed, of choosing to have a smart meter and a dynamic electricity price contract. This should allow them to adjust their consumption according to real-time price signals that reflect the value and cost of electricity or transportation in different time periods. In order to monitor the development, CEER introduced for the first time a new question on the approximate share of companies offering dynamic electricity price contracts that reflect the price variation at the spot markets at intervals at least equal to the market settlement frequency. While only Norway and Latvia indicated that a major share of their suppliers choose this option, the percentage is rather low or no information is available yet in other markets (as Spain, Austria, Germany, GB) in this early stage yet. Nevertheless, the CEER Report on Implementing Technology that Benefits Consumers in the Clean Energy for All Europeans Package (Ref: C19-IRM-16-04) delivers valuable insights on the different ways of implementation by case studies.

The following case study describes the CRE's assessment and evaluation approach of the innovative offers on the retail markets:

2.6 Case study: Innovative offers on the household market in France

In the last few years, CRE noticed, an emergence of particular innovative offers on the French retail market. Therefore, CRE wanted to draw a qualitative assessment of the innovations observed in the retail market between 2017 and 2018. The assessment is based on the "Oslo Manual" developed under the joint aegis of the OECD and the European Commission. Innovation is defined in the manual as the implementation of a product (good or service) or a new process or significantly improved new marketing method or a new organisational method in company practices, workplace organisation or external relations.

Suppliers are trying to attract more customers on the French household retail market by proposing new types of offers, which are not standard or they are trying to take into account current trends and evolutions on the retail market.

Therefore, in CRE's qualitative assessment, CRE gathered the following offers that are considered as innovative in 2018.

Product innovation

A product innovation is the introduction of a new or significantly improved good or service in terms of its characteristics or the purpose for which it is intended. This definition includes significant improvements, technical specifications, components and materials, embedded software, usability or other functional characteristics.

- There are five offers that are specifically intended for customers equipped with smart meters. These offers propose reduction on the peak or off-peak hours with different modalities according to the supplier. This could be translated into: special pricing for the weekend hours with reductions on the price of the KWh, creation of special price according to the season etc…

- There are four suppliers that offer market offers reserved for electric vehicle owners. These offers usually consist of 50% reductions on the off-peak price when usually the vehicles are charged.
- There are three offers on the household market with connected objects. One of the offers is including a connected station for smart home with Amazon's voice assistant Alexa, allowing the consumer to follow their energy consumption. The offer includes other services, such as in case of absence, a decrease in heating and the automatic extinction of lighting, the control of connected objects (connected bulbs, thermostat, etc.), other functions related to everyday life (for example, the weather in the next few days) and, finally, an evaluation of the air quality. The other offers are offering a market offer bundled with a purchase of a thermostat. The thermostat allows remote individual heating control for the purpose, in particular, to save energy and improve consumer comfort.

Process innovation

A process innovation is the implementation of a new production or distribution method or a significant improvement. This concept implies significant changes in techniques, equipment and/or software.

- There are several offers that are considered as a process innovation. Usually these offers are online offers with the particularity of being less expensive and flexible with the possibility to have a mobile application. There are also online offers with tools to monitor the energy consumption. Some suppliers' offers rely on application development and the use of sensors, installed on the meter and connected to a box (provided by the supplier) which, via the Linky meter, allows the consumer to follow their electricity consumption.

Marketing innovation

A marketing innovation is the implementation of a new marketing method involving significant changes in design or packaging, placement, promotion or the pricing of a product. Besides selling offers only online (via apps or the website of the suppliers), the development of new tools (in particular the chatbots) or the strong presence on social networks, there are five innovative practices that were identified.

- One supplier proposes an offer with a refund in case of excess billing for consumers equipped with smart meters; another proposes an offer with a jackpot system where the consumer earns points for every new client sponsorship, by seniority, social network interactions and feedback information to the supplier. These points can be used to reduce bills or to donate to partner associations. A supermarket chain that started to be an energy supplier also offers an electricity offer that has reductions on the price of the KWh and that could be transferred to a loyalty supermarket card and use these reductions for purchase in that same supermarket. Similar, there is also the existence of partnerships between energy suppliers and different entities usually with supermarkets that offer reductions for shopping in those supermarkets.

2.7 Conclusions

The external switching rate for electricity household customers by metering points in 2018 were above 10% in Finland, Germany, Great Britain, Ireland, Norway, Portugal, Spain and Sweden, with Norway having the highest switching rate (21,4%). Norway is also the country with the highest increase of all MS monitored on a year-to-year basis (+2,6%), while the switching rate in Portugal and Estonia decreased the most (2,6% or 3% respectively). Nevertheless, in the majority of countries the switching rate in 2018 is on average higher than in the five preceding years.

For gas, the picture is similar, even though not always as significant as for electricity. Belgium has the highest external switching activity in 2018 with a switching rate of 22%, followed by Ireland with 20.5%. Countries besides Belgium and Ireland with a relatively high switching rate in 2018 (at least 10%) are France, Great Britain, Ireland and Portugal. Ireland shows the highest increase in switching rates between 2017 and 2018 with 2,5%, while Portugal reports the largest decrease

(-1,4%). As for electricity, on average switching activity increased in the majority of MS over the last five years.

Internal switching is defined as the switch of a product or contract with the current supplier. This indicator is collected by a fewer number of MS than the external switching rate. Like external switching rates, the level of internal switching is quite different between MS. In 2018, the highest rates for electricity are reported by Great Britain and Poland, the lowest rate by Luxembourg. Like the rates for gas external switching, the level of internal switching across MS is quite different as well. The highest rate is reported by Great Britain (32,5%), while the lowest rates can be observed in Romania and Luxembourg (0.4% and 2.8%).

Only Bulgaria, Poland, Portugal and Spain reported any switching activities for regulated prices in 2018.[23] In 2018, Portugal was the country with the highest electricity switching rate of the countries that reported any switching activities out of regulated prices (5%). In the gas sector, also only Portugal and Spain reported any switching activity out of regulated prices. Switching into regulated prices is a rare phenomenon, all countries reported values smaller or equal than 2%, even though the value increased compared to 2017.

Annual switching rates of non-household customers are determined in many countries by eligible volume instead of metering points. Similar to the household segment, switching rates for non-household customers differ significantly across MS. For electricity, countries with a high switching rate are Czech Republic, Italy, Lithuania, Poland, Portugal and Spain (at least 25%). Reasons for this high switching rates can be mainly found in economic incentives. Compared to electricity consumers, gas consumers switched more compared to the preceding years. This can be explained by the price development in the both sectors in the last years: the ACER-CEER Monitoring Report 2018 indicates that while electricity prices for the industry sector fell on average, gas prices increased by 13,4%.

The report shows that there is a positive trend in terms of offer types in Europe: electricity consumers in 22 out of 27 MS have five or more options which is four more than last year. The remaining five markets are not fully liberalised yet, so there could be a relationship between the regulatory framework and the variety of offers available to consumers.

A clear upwards trend could be particularly observed in many Eastern and Southern European countries, such as Croatia, Czech Republic, Greece, Latvia and Romania where electricity consumers had access to at least three more offers compared to last year.

The number of types of gas offers is generally lower than for electricity products. Nevertheless, the trend is positive in this segment, too. Data shows that consumers in 14 out of 23 countries have the choice between five or more different type of offers, compared with 11 in 2017.

Bundled products seem to be more disseminated in the electricity market: 18 out of 27 MS indicated the existence of bundled products in the electricity market while this number is only eight of 23 for gas.

[23] More information about countries with intervention in price setting and in price regulation can be found in chapter 3.

3 Intervention in price setting and price regulation

3.1 General overview

The third chapter of the report, entitled “intervention in price setting”, focuses on the different forms of intervention in retail price setting mechanism. MS choose different paths towards liberalisation: some MS are still keeping certain forms of intervention for the majority of consumers or at least for vulnerable consumers, whilst other MS managed to move from 100% intervention in prices to a completely liberalised market.

On a general level, the Clean Energy for All Europeans package, adopted in May 2019[24], introduced a new set of electricity market design rules: “Market-based electricity prices are a key component of flexible, efficient and consumer-centred energy markets. Retail prices should therefore be free from government intervention. Under the new rules, targeted price regulation, such as social tariffs, will be permitted for a transition period to help vulnerable consumers until their circumstances can be improved by appropriate energy efficiency and social policy measures. In the future, price regulation should be allowed only in exceptional circumstances.”

Any kind of price intervention in retail prices has been long seen by the European Commission as a possible interference in proper market functioning. In the 2016 proposal of revision of the Electricity Directive, in the context of the Clean Energy for all Europeans Package, article 5 provided that regulated prices would be phased-out in a period of 5 years, with certain derogations.

While the European Commission acknowledged that for many MS price regulation was at least partially motivated by energy poverty, the proposal maintained that “price regulations should not be used to address energy poverty: Member States shall ensure the protection of energy poor or vulnerable customers in a targeted manner by other means than public interventions in the price-setting for the supply of electricity.” The article also stated some conditions for derogations, but made it clear that after a phase-out period, price interventions could only be applied when it was "strictly necessary" and for reasons of "extreme urgency.” In 2013, the ACER/CEER[25] monitoring report on retail markets showed that almost half of the MS still have regulated retail prices, and that prices were rising and varied significantly between MS due to non-market reasons, such as network charges, government taxes and levies.

In the course of negotiations, a number of Member States insisted on preserving their ability to intervene on energy prices, and the Council, in adopting its position in December 2017, removed the obligation and the timeline to phase out price regulation. The adopted version of the Directive stipulates that regulated prices will only be allowed under certain circumstances[26] for a limited time, and these rules will be followed-up by the Commission in 2022 and 2025.

Directive (EU) 2019/944 clarifies that the MS should maintain wide discretion to impose public service obligations on electricity undertakings in pursuing objectives of general economic interest. MS should ensure that household customers and, where MS consider it to be appropriate, small enterprises, enjoy the right to be supplied with electricity of a specified quality at clearly comparable, transparent and competitive prices. The Directive also specifies that public service obligations in the form of price setting for the supply of electricity constitute a fundamentally distortive measure. Consequently, MS should apply other policy tools, in particular targeted social policy measures, to safeguard the affordability of electricity supply to their citizens. Public

[24] https://ec.europa.eu/energy/en/topics/markets-and-consumers/government-intervention-energy-markets
[25] https://www.acer.europa.eu/Official_documents/Acts_of_the_Agency/Publication/ACER_Market_Monitoring_Report_2014.pdf

interventions in price setting for the supply of electricity should be carried out only as public service obligations and should be subject to the specific conditions set out in the Directive.

However, public service obligations in the form of price setting for the supply of electricity should be used without overriding the principle of open markets in clearly defined circumstances and beneficiaries and should be limited in duration[27].

In any case, according to Article 5 of Directive (EU) 2019/944, "4. Public interventions in the price setting for the supply of electricity shall:

(a) pursue a general economic interest and not go beyond what is necessary to achieve that general economic interest;

(b) be clearly defined, transparent, non-discriminatory and verifiable;

(c) guarantee equal access for Union electricity undertakings to customers;

(d) be limited in time and proportionate as regards their beneficiaries;

(e) not result in additional costs for market participants in a discriminatory way."

When talking about price intervention, in this report we will be only considering the end-user price (the energy component), which is a price subject to regulation or controlled/intervened by a public authority like a government, a NRA, etc.

This chapter will analyse the steps MS have taken towards the removal of price intervention (where applicable and where data permit it).

The analyses will focus on the household segment, then on the non-household segment, and for each segment on three aspects: (i) the existence and types of price intervention, (ii) the number of household or non-household customers under end-users prices with price intervention, finally (iii) roadmaps for the removal of retail prices with price intervention.

In 2018, 14 countries in electricity out of 27 answering and 11 countries in gas, out of 25 answering, reported an intervention in the retail price setting mechanism in the household segment. For the non-household segment, eight countries in electricity and five in gas, reported having a price intervention, mainly in the form of regulated prices.

The intervention in the retail price setting mechanisms can take different forms depending on the country and its current situation. This form of intervention can be the existence of regulated prices, like in Bulgaria, France or Poland, in some countries the price intervention is only dedicated to vulnerable customers (in Great Britain, Italy, Latvia, Malta, Portugal) or a coexistence of both mechanisms. In Portugal, the NRA established access tariffs and transitory end user prices for last resort suppliers in the context of the removal of regulated end user prices. In Lithuania, network price caps are set. In Romania, during 2018, the Government's Emergency Decision 114/2018, decided that regulated prices for households should be reintroduced in March 2019 for the next 3 years.

In 2018, three countries reported a change in price setting intervention as compared to 2017, regarding electricity or gas: Croatia reported that gas price regulation is no longer in the hands of the Croatian government but of the regulatory authority (HERA), Great Britain reported for both electricity and gas that the scope of the existing prepayment meter safeguard tariff was extended to protect an additional 1 million consumers who receive Warm Home Discount payments, and Latvia revised its values and RES support scheme were added to its price intervention regarding vulnerable customers.

[27] See DIRECTIVE (EU) 2019/944 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 5 June 2019 on common rules for the internal market for electricity and amending Directive 2012/27/EU (recast) Paragraph (22) and (23).

3.2 Household segment

3.2.1 Existence of prices with price intervention

The figure below shows that 14 countries out of 27 answering in electricity and 11 in gas out of 25 answering have some kind of price intervention for household consumers.

If the report shows a different number of countries with price intervention in 2018 compared to 2017 and 2016, these differences are due to changes in some countries (see section 3.4 'Roadmaps for removal of retail prices with price intervention') and to a more complete way of taking price intervention into account. In previous reports, price regulation and its different types were analysed, and from this year on, the kinds of price intervention by explaining it more in detail in order to take into account country-specific situations. As explained in the following sections, all types of price intervention have been taken into account: ex-ante, ex-post and social. If countries have regulated prices for specific consumer categories (especially vulnerable consumers), they have been taken into account in the calculation and will appear on the following graphs. It is also important to note that in some countries several types of price intervention coexist, like in France where there is end-user price regulation, but also the existence of special measures like the energy check for vulnerable customers. Similar situations exist in Italy and Portugal.

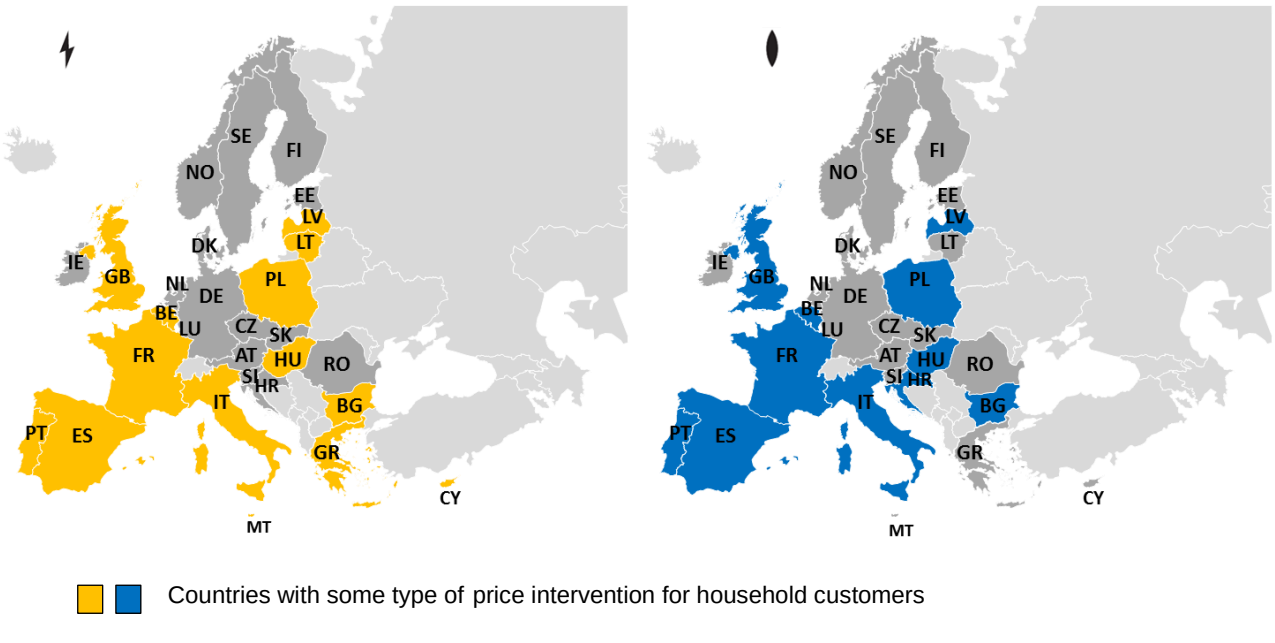


Figure 31: Existence of price intervention in electricity and gas in 2018

In nine out of 14 countries with price intervention in electricity and in eight out of 11 in gas, the form of intervention in the price setting is end-user price regulation, or a coexistence of price regulation and price intervention for vulnerable customers. In few countries only, like in Great Britain or Belgium, the price intervention concerns only the special price mechanisms for vulnerable customers.

Therefore, in Cyprus, Great Britain, Greece, France, Latvia, Poland, Portugal and Spain, different methods apply in order to intervene in the price for the poor or vulnerable customers or for those under end-user price regulation.

In Great Britain, the so-called safeguard tariff applies only to vulnerable consumers for electricity and gas and Ofgem's evidence gathering suggested that regulating the charges that a supplier can charge these consumers will better protect the interests of these consumers in the short term.

In Portugal, the price intervention takes the form of a social tariff for electricity and gas which is applicable to vulnerable consumers. The social tariffs are supported by the ordinary generation plants, excluding those who benefit from feed-in tariffs and have installed power up to 10 MVA.

In Poland, there is a financial support system for vulnerable consumers in electricity and in gas in place (in the form of a lump sum), but it is outside the tariff system.

In Malta, the assistance provided to the eligible vulnerable consumers takes the form of an energy benefit. The amount due for the consumption of electricity is calculated in accordance with the normal tariffs for households then the energy benefit amount is deducted directly by the supplier from the final amount due by the consumer. The energy benefit is then refunded to the supplier by the Social Welfare Department and is financed from the National Budget.

In Greece, there is a specific tariff targeted to vulnerable consumers called Social Residential Tariff (i.e. low-income customers, etc). However, price intervention in Greece refers not only to vulnerable customers but also to households under Supplier of Last Resort and Universal Service supplier status. These services are special systems where the Greek Regulator RAE, regulates the percentage of increase upon the respective tariffs' change of the supplier in charge.

Hungary stated that there is no definition of energy poor consumers. The vulnerable consumers have other kinds of possibilities (non-price based). In gas only, there are additional discounts for families with 3 or more children.

In Italy, there is a form of price intervention for customers who do not choose a supplier in the free market. In electricity, households who do not choose a supplier or remain without a supplier in the free market are supplied under the so-called standard offer regime (Maggior tutela). In gas, households who do not choose a contract in the free market are supplied at reference prices set by the NRA. According to the national law, each gas supplier is obliged to include reference prices within their portfolio of commercial offers. Italy does not apply public interventions in the price setting for the supply of electricity and gas to vulnerable customers. Instead those customers enjoy a discount to the yearly expense of energy in both sectors.

In Denmark, licensed default suppliers are obligated to supply gas to customers, who have not actively chosen a supplier. The Danish Energy Agency grants the default supplier licenses on the basis of a tender process and the licenses are granted for a 3-year period with the possibility of an extension. The current licenses are set to expire by the end of March 2020, wherefore a tender process has to be initiated in order for the new licences to enter into force. DUR monitors i.a. that the price of universal service obligation products does not exceed the sum of the wholesale gas price, the cost of transmitting the gas and an additional charge for the default supplier's mark-up. The additional charge is determined in the tender process for obtaining the default supplier license. In Denmark there is no specific price intervention for vulnerable or poor customers.

The CEER report "2017 Handbook for National Energy Regulators – How to assess retail market functioning"[28], developed a range of metrics with descriptions and definitions that should help NRAs to self-assess the functioning of their national retail markets. One of the metrics is about the "percentage of customers with regulated energy prices". The purpose of this metric is to measure the impact of price regulation in the market, with the ultimate goal to abolish the regulated energy prices in order to remove the barrier to entry for a new supplier and to create a level playing field between competing actors. In the 2019 follow-up document "Roadmap to Well-Functioning Retail Energy Markets – 2018 Self-Assessment Status Report"[29], the same data as the CEER database (source for this report) is reported by NRAs in their gap analysis of self-

[28] https://www.ceer.eu/documents/104400/-/-/840b4ce7-9e4a-5ecc-403a-fad85d6ba268

[29] https://www.ceer.eu/1765

assessment, with some interesting case studies of countries with 0% price regulation and their path towards this market situation.

3.2.2 Number of household customers under end-user prices with price intervention

In 2018, in nine out of 14 countries with price intervention in electricity there is an existence of end-user price regulation for household customers (Bulgaria, Cyprus, France, Hungary, Lithuania, Malta, Spain, Poland and Portugal).

In the majority of cases, it is the NRA that intervenes in the price, but in some cases it is also the Government. As the type of end-user price regulation can take different forms, namely ex-ante, ex-post, social or other forms, almost all of the countries with price regulation have an ex-ante type of end-user price regulation, except for Cyprus that has a combination of ex-ante and ex-post intervention where the price is defined based on criteria and methodology set by the NRA before the beginning of the regulatory period, but each year, ex-post adjustments are made, based again on a specific methodology.

All types of criteria are used by these countries to set regulated prices: discretionary, rate of return (except for gas), price cap and other types of caps.

In Denmark, for instance in gas, suppliers of universal service obligation products report prices to the Regulator (DUR) at the beginning of each month

The end-user regulated prices are offered by the incumbent supplier in all of these countries, except for Spain where the supplier of last resort offers prices with price intervention setting as well as in Portugal where transitory tariffs within the processes of price regulation removal are offered also by the supplier of last resort.

Romania reported that during 2018 there was no regulated energy component for households but according to Government Emergency Decision 114/2018, regulated prices for households will be reintroduced starting with March 2019 for the next three years.

In Great Britain, all suppliers can offer the safeguard tariff that are foreseen for the vulnerable consumers for electricity and for gas.

In gas, in eight out of the 11 countries with price intervention (Bulgaria, Croatia, France, Hungary, Latvia, Poland, Portugal and Spain), there is an existence of an end-user price regulation and in some cases a coexistence of end-user price regulation and price intervention for vulnerable customers. In France, only the incumbent supplier offers regulated prices. In Bulgaria and Poland, every supplier can offer these prices whereas in Croatia it is the public service and in Hungary, it is the universal service providers that have this role. In Spain, there are four companies that are nominated as default suppliers that can supply household customers only under regulated tariffs. The situation is the same for the gas market as in electricity for Portugal and it is the supplier of last resort that offers the transitory tariffs. Latvia reported that there is a free gas market since April, 2017 with 7 active suppliers on the market since 2018. Nevertheless, there are regulated tariffs for public traders who ensure the natural gas trade service to the majority of household consumers.

In two countries, Hungary and Poland, the percentage of households in the country benefiting from any kind of price intervention is above 90% in electricity, and for Croatia and Hungary in gas.

In several countries like Bulgaria, Lithuania and Malta in electricity and Bulgaria and Poland in gas, the market seems to be completely closed, as 100% of the households are supplied under a price intervention mechanism. Besides the existence of several suppliers on the market in some of these countries, household customers seems to be inactive and do not switch to another

supplier, which explains the data. This is also the reason why the external switching rate in Bulgaria and Lithuania is very low (0% - 0.04%) as reported in section 2 on Customer switching activities. France has also a high number of households under a price intervention mechanism in electricity (77.3% in 2018 and 82% in 2017) which is price regulation whereas this number is much lower in gas (40.3% in 2018 and in decrease for the last few years).

In countries like Belgium, Great Britain, or Latvia, the existence of price intervention refers only to the vulnerable customers. In that sense, in 2018, 18.6% (14% in 2017) of the British household consumers in electricity as in gas are benefiting from a price intervention. In Belgium, 10.9% of the electricity customers and 16.9% of the gas customers benefit from social tariffs. In Latvia, 8.5% of the electricity households are under price intervention dedicated to vulnerable customers.

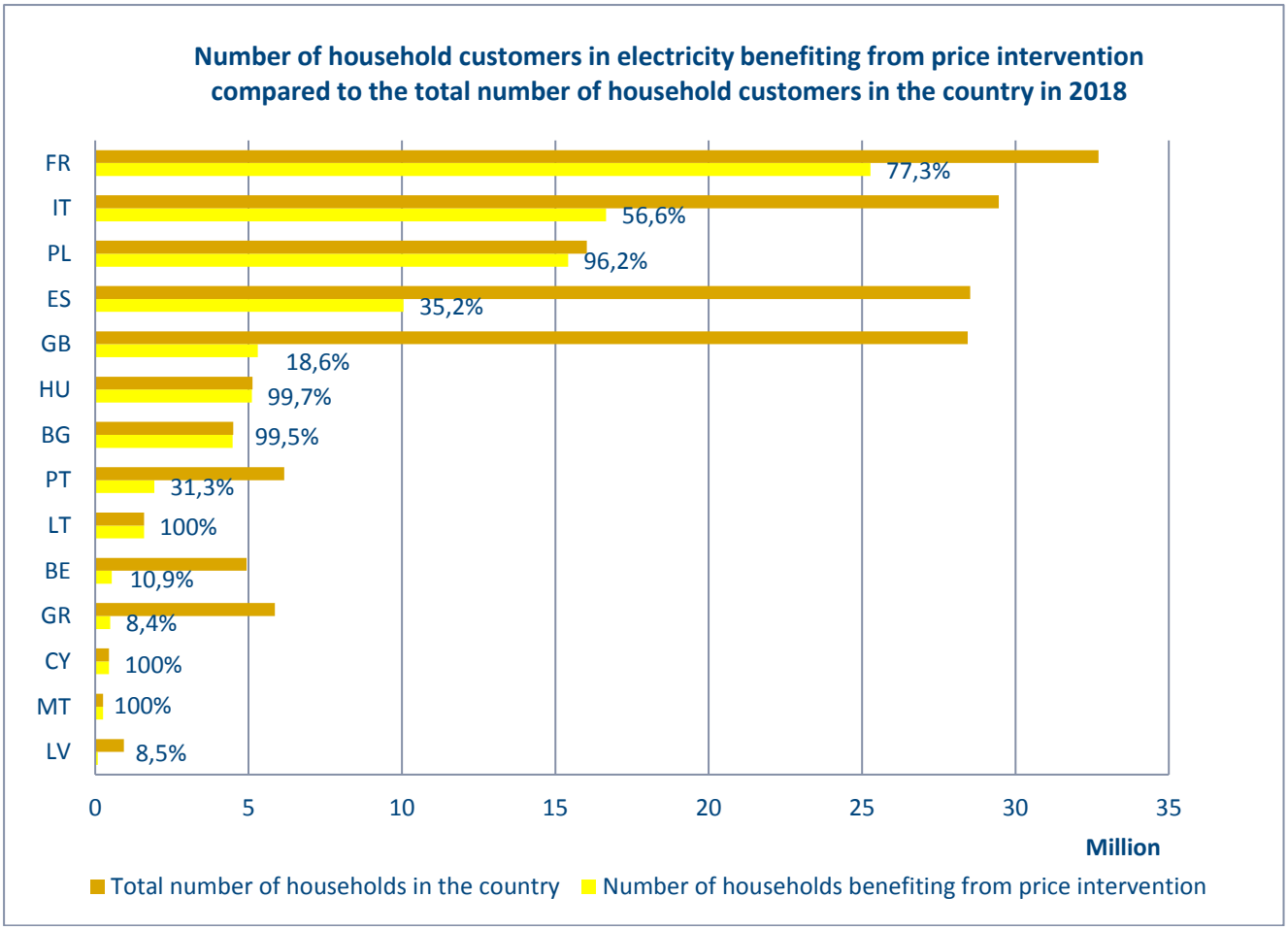


Figure 32: Number of household customers in electricity benefiting from price intervention compared to the total number of household customers in the country in 2018

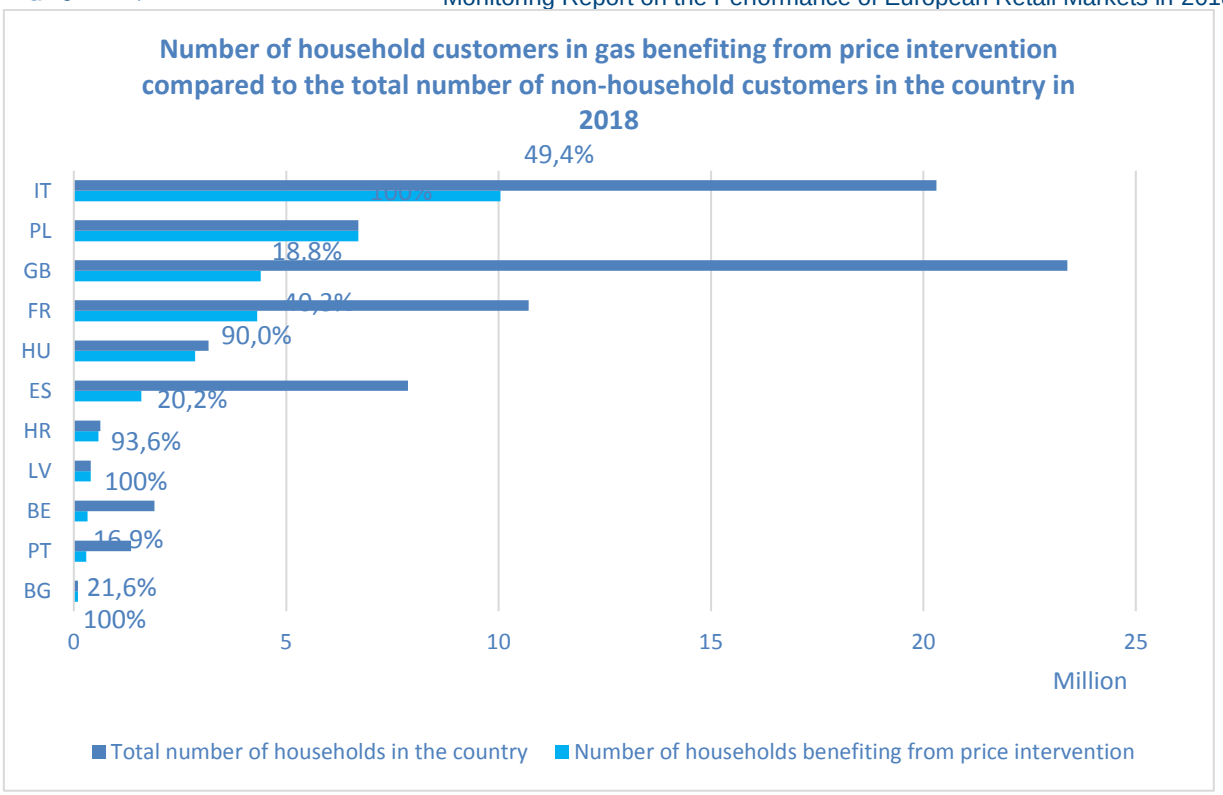


Figure 33: Number of household customers in gas benefiting from price intervention compared to the total number of household customers in the country in 2018

The following figures are showing the number of energy poor or vulnerable household customers only, in electricity and in gas benefiting from price intervention. The data is available only in 10 countries in electricity and five countries in gas.

As mentioned before, in some of these countries, like Belgium, Great Britain, or Latvia, price intervention refers only to energy poor or vulnerable customers, so data could be the same as in the previous graphs, while in others, like France, Italy or Portugal, the number of energy poor or vulnerable customers is just a percentage of all of the household customers benefiting from price intervention as several types of price intervention exists.

In Belgium, the social tariffs (in electricity and in gas) are fixed tariffs for a semester that are calculated by the CREG. They are the sum of the cheapest commodity tariffs and the cheapest network tariffs.

In France, 9.5% of electricity customers and 16.9% of gas customers are considered as vulnerable. Social tariffs do not exist in France anymore, so these customers have the right to an energy check that they receive once a year and that they can use for the payment of their energy bills.

In Greece, the vulnerable customers are under a tariff called Social Residential Tariff. It is the Ministry that approves the intervention in price setting which is a percentage of a discount that is given on the electricity price of the competitive charge for two types of customer categories.

In Italy, poor or vulnerable consumers do not pay any special price/tariff. A 30% discount is applied to the yearly electricity (15% in gas) expense of a vulnerable household. The amount is calculated

based on the number of family members in the household: either 1-2 members, 3-4 members or more than 4.

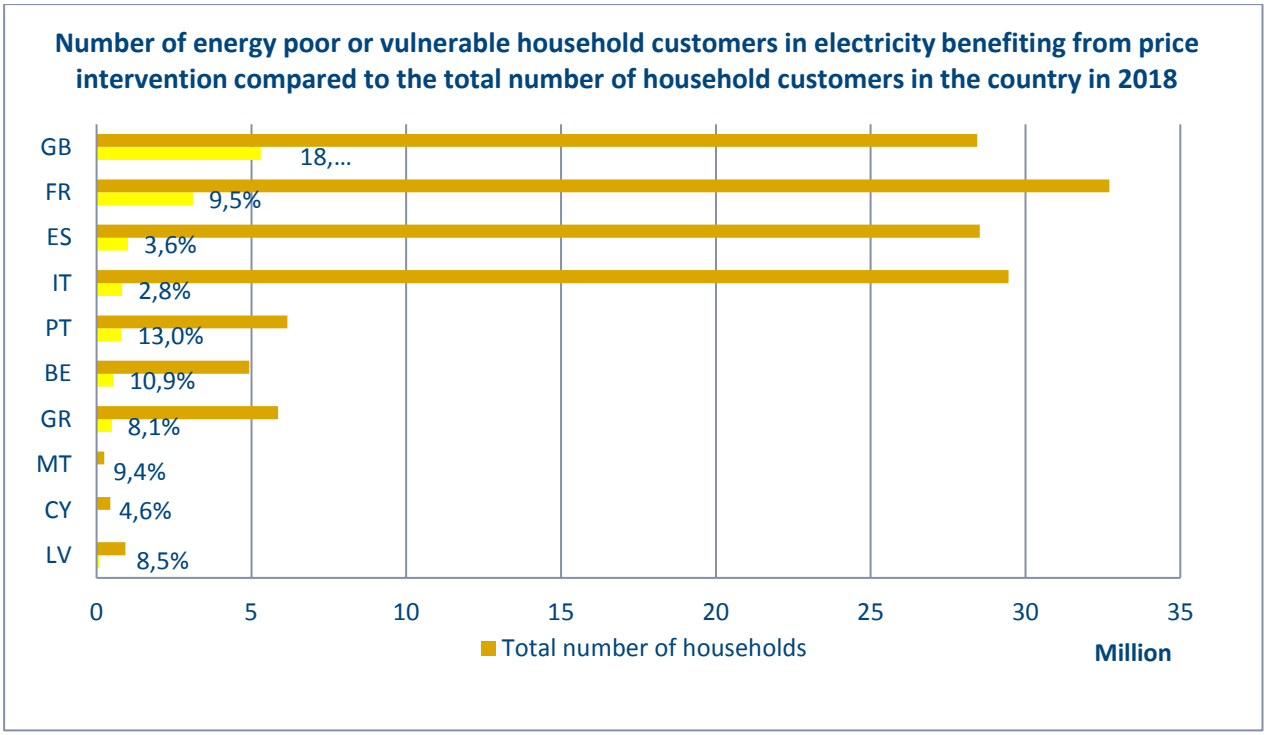


Figure 34: Number of energy poor or vulnerable household customers in electricity benefiting from price intervention compared to the total number of household customers in the country in 2018[30]

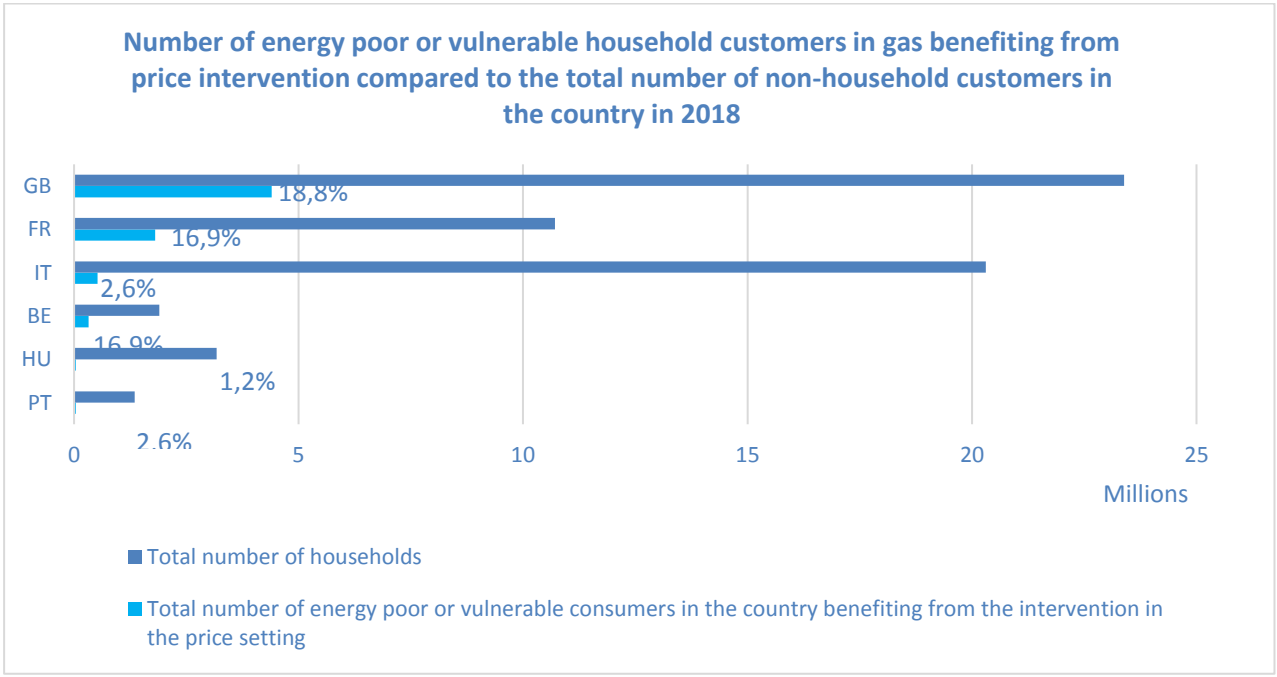


Figure 34: Number of energy poor or vulnerable household customers in gas benefiting from price intervention com

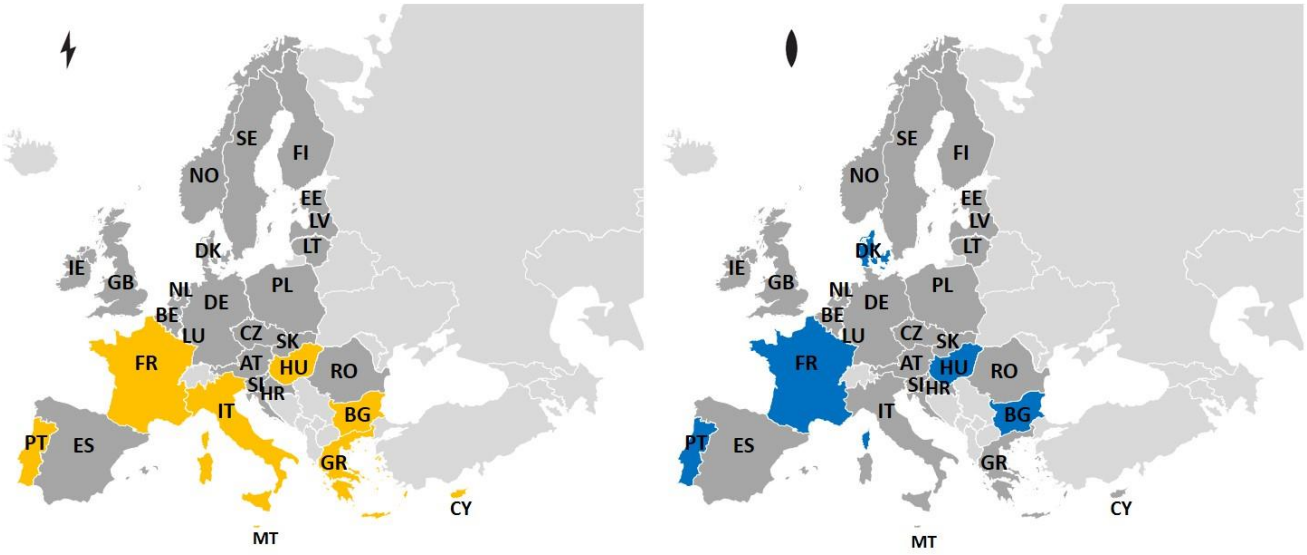
[30] The figure for Italy in the graphs is showing the number of customers who receive the 30% discount.

3.3 Non-household segment

This section focuses on the different forms of price intervention for the non-household segment. As for household customers, MS choose different paths on the way to liberalisation. Whereas some countries moved from 100% regulated prices to a completely liberalised market, others still keep some form of price intervention.

3.3.1 Existence of prices with price intervention

Figure 36 illustrates that in 2018, there is an existence of some kind of price intervention for non-household customers in eight countries in electricity out of 27 answering and five in gas, out of 25 MS answering



Countries with price intervention for non-household customers

Figure 35. Existence of price intervention in electricity and in gas in 2018 (non-household)

In six countries (Bulgaria, Cyprus, France, Hungary, Malta and Portugal) out of the eight with price intervention in electricity, there is the existence of an end-user price regulation. In some countries like Bulgaria, Cyprus or Malta, all non-household customers benefit from end-user price regulation. In countries like France and Hungary, only small non-household customers, not exceeding 36 kVA subscribed power can still choose an end-user regulated price. In Portugal, transitory tariffs for non-household customers that are still supplied by the supplier of last resort are also taken into account.

In the case of Greece for electricity, the intervention in price setting refers only to the non-household customers under the universal service obligation and the service of last resort. Every supplier can offer the universal service and the service of last resort, after the results of a market-based procedure. In case there is no interest from any market participant, the NRA nominates the incumbent supplier to assure this role.

In Italy, small enterprises in electricity (namely undertakings connected to the low voltage distribution network) who do not choose a supplier or remain without a supplier in the free market are supplied in the so-called standard offer regime (Maggior tutela). Under the standard offer

regime, a single buyer is in charge of procuring electricity on the wholesale market and to resell it to standard offer retailers at a price reflecting the costs borne by the single buyer, including procurement costs. The standard offer prices are determined by the Italian Regulator on the basis of the prices of the wholesale market so as to cover supply costs borne by those undertakings in charge to provide this service. The standard offer regime (Maggior tutela) is provided by dedicated retail companies, belonging to the same group of the local DSO, or by the DSO itself.

In all of the five countries (Bulgaria, Denmark, France, Hungary and Portugal) with price intervention in gas, the type of intervention is end-user price regulation.

In the case of France for gas, end-user price regulation exists only for small non-household customers consuming less than 30,000 KWh, all other consumers are on the free market. In Portugal, transitory tariffs are still in place for those who are still supplied by the supplier of last resort. And in Hungary, regulated gas prices are applied by universal service providers, a subset of suppliers with special responsibilities and legal regulations. Those non-households, whose gas meters do not exceed the capacity of 20 m^3/h may opt to purchase gas from universal service providers at regulated prices and under regulated conditions of supply. In Denmark, the regulator (DUR) monitors that the price of universal service obligation products does not exceed the sum of the wholesale gas price, the cost of transmitting the gas and an additional charge for the default supplier's mark-up. The additional charge is determined in the tender process for obtaining the default supplier license.

In all of these countries, it is the NRA that sets the end-user regulated price in electricity and in gas, except for France and Hungary in gas where it is the Government.

As the type of end-user price regulation can take different forms, namely ex-ante, ex-post, almost all of the countries with price regulation have an ex-ante type of end-user price regulation, except for Bulgaria that has an ex-post end-user price regulation in gas only and Cyprus that has a combination of ex-ante and ex-post intervention where the price is defined based on criteria and methodology set by the NRA before the beginning of the regulatory period, but each year, ex-post adjustments are made, based again on a specific methodology.

The criteria used by these countries to set regulated prices is mainly the rate of return in electricity and the price cap in gas.

The end-user regulated prices are offered by the incumbent supplier in all of the before mentioned countries.

3.3.2 Number of non-household customers under prices with price intervention

In 2018, as well as in 2017, six countries offered regulated prices to non-household customers in electricity and five[31] in gas.

Compared to the total consumption volume for electricity non-households, in Cyprus and in Malta 100% of the non-households are supplied under regulated prices. In Cyprus, besides the arrival of few new suppliers on the market since 2018, non-household customers remain inactive. In the other countries, in terms of consumption, less than 10% of non-households are supplied under regulated end-user prices. The trend for all countries is the decrease of the share of non-household customers under regulated prices and their future removal.

[31] Data on consumption for the Figure is not available for Denmark.

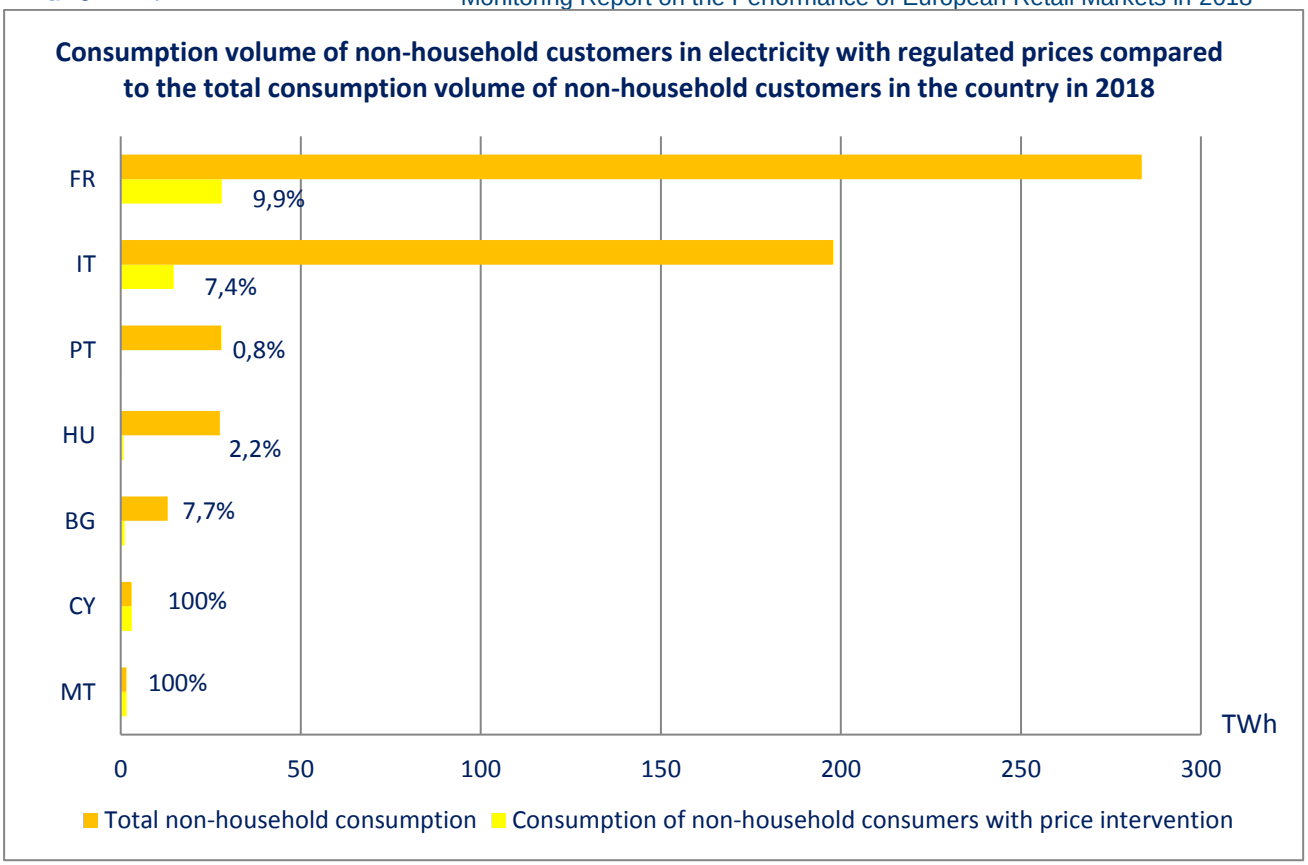


Figure 36: Consumption volume of non-household customers in electricity with regulated prices compared to the total consumption volume of non-household customers in the country in 2018

Regarding the gas market, in four countries (Bulgaria, France, Hungary and Portugal) out of 23 answering, the form of price intervention for non-household customers is end-user price regulation. As the Figure below shows, the consumption volume of non-household customers with regulated prices is the lowest in France and Portugal. In France there was an important decrease since last year, from 11% in 2017, to 0,3% in 2018. These two countries are moving towards a free market of non-household customers. In Portugal, the transitory tariffs will remain for some more time and in France, price regulation removal is previewed for next year (more about price intervention removal in paragraph 1.4). In Bulgaria, the percentage of the non-household consumption volume is still high, with 100% and no changes since last year. In Hungary, the figure is at 5,3% with an important decrease since 2017, where it was at about 7,8%.

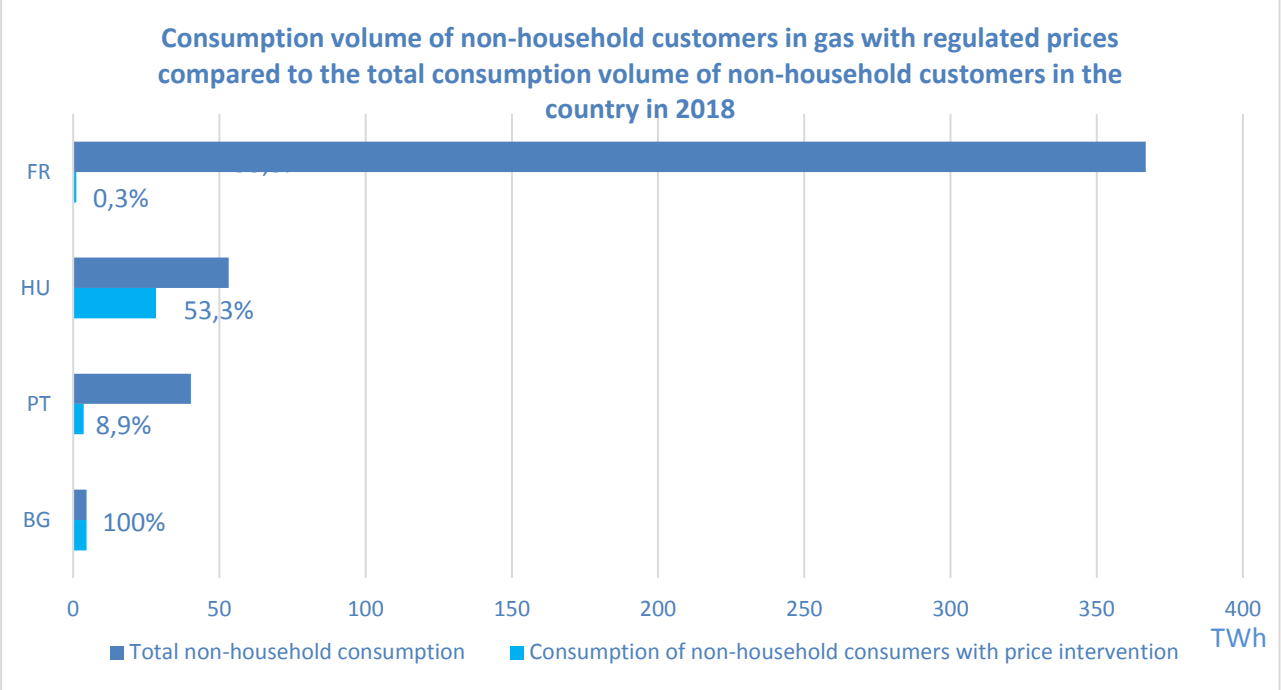


Figure 37. Consumption volume of non-household customers in gas with regulated prices compared to the total consumption volume of non-household customers in the country in 2018

3.4 Roadmaps for removal of retail prices with price intervention

This section analyses the steps in the path towards the removal of retail prices with price intervention (where data permits it and, where applicable to countries).

In Greece, complete liberalisation of the gas market has been in place since 1 January 2018.

In Lithuania, price regulation still exists for households in the electricity and gas sectors. In the revised National Energy Independence Strategy, approved by the Parliament of the Republic of Lithuania on the 21 June 2018, it is projected to gradually remove the regulated end-user prices for households in the electricity sector.

In France, price regulation was removed in December 2015 for non-household customers in electricity with a subscribed power of over 36 kVA and in several stages from 2014 until December 2015 in gas for non-household customers (over 30 MWh).

For the moment, there are ongoing laws which preview the end-user price regulation in electricity and gas for the other customers. The draft law for energy for now is considering the removal of price regulation in electricity for small non-household customers with over 10 employees and above 2M € gross sales business figure. The end-user regulated tariffs will remain for the other small non-household customers with less than 10 employees and 2M € gross sales. These tariffs will also remain for the electricity household customers. In gas, the draft law foresees that for household customers, end-user regulated tariffs will be removed by 1 July 2023. This could explain the higher switching rate in gas for household customers that is 12.9% for 2018 compared to an average of 9,6% for 2013-2017 as reported in the section 2 on customer switching activities. Gas household customers started already to change from regulated tariffs to market-based offers. For gas small non-household customers (less than 30 MWh), end-user price regulation will be removed 13 months after the publication of this law. Therefore, for this segment, price regulation will be removed by the end of 2020.

In Portugal, end-user regulated prices for all electricity and gas customers (including households) were legally abolished as of 1 January 2013. Phasing out of regulated prices was done in several stages.

For the phase-out process a transitory period was defined by the Portuguese government in order to enable customers supplied under regulated end-user prices to choose a new market supplier and move to the liberalised market. During this period, the NRA (ERSE) sets a tariff (called the 'transitory tariff'), which may include an additional value, whose objective is to promote customers to switch to a market tariff. The transitory period was initially set for three years. However, the government extended this period. The transitory tariffs, according the applicable law, are available up to 31 December 2020. The switching activities as reported in Section 2.1 are high in Portugal especially in gas, showing that customers are switching more. The majority of switching rate is between liberalised suppliers since there are very few customers still in the regulated market, reducing the component of switching rate from the regulated market to the liberalised market. Therefore, Portugal is one of the countries with the highest external switching rate in gas in 2018. But despite the high switching rate for 2018, a decrease in comparison to the 5-year average can be observed. However, in electricity, the story is completely different as the switching rate has decreased for the third year in a row in Portugal (-2.6% between 2017 and 2018).

In Italy, the standard offer regime is a transitory regime. According to the Law 124/2017, the transitory regime will be removed starting from July 2020.

In Romania, starting on 1 January 2014, the price of electricity for non-household customers who did not exercise their eligibility right is 100% market-based. So, in 2014, there were no longer approved regulated electricity prices for non-household customers. According to the same roadmap, the percentage of electricity purchased on the competitive market for household customers who did not exercise their eligibility right was increased by 10-20% each year starting on 2013 until 2017. From the 1 January 2018, the energy price component for household customers who did not exercise their eligibility right is a market-based price.

Regulated prices for non-household gas customers were abolished on 1 January 2015, taking into account the provisions of Law no.123 / 2012, with subsequent amendments, which in Art. 179 (2) a) states that activities related to the regulated market include the supply of natural gas at a regulated price and on the basis of framework contracts until 31 December 2014 for non-household customers, unless there is a significant difference between the marketing price of domestic gas production and the European import price, which could jeopardise market stability, the time being extended until 31 December 2015. For household consumers who did not exercise their eligibility right, the regulated prices are still applicable until 30 June 2021 according to the provisions of article 179 (2) b) from Law no.123/2012, with subsequent amendments. It should be mentioned, that starting on April 2017, the marketing price of domestic gas production was no more established through a Government decision, its value being close to the value of the import gas. So, in the second part of 2017, the price of domestic gas production was established based on the prices of market transactions.

This year, Romania reported that during 2018 there was no regulated energy component neither for households, nor for non-households. According to Government Emergency Decision 114/2018, regulated prices for households were reintroduced starting in March 2019 for the next 3 years.

In Great Britain, in order to ensure the measure is proportionate and in line with EU legislation, the safeguard tariff was a temporary measure and ended on 1 January 2019 when the wider default tariff cap entered into effect. The Prepayment Meter (PPM) cap will continue to apply alongside the default tariff cap that is also a temporary measure, but customers can only be protected by one of the caps.

In Denmark, the Danish Regulator monitors i.a. that the price of universal service obligation products does not exceed the sum of the wholesale gas price, the cost of transmitting the gas and an additional charge for the default supplier's mark-up. The additional charge is determined

in the tender process for obtaining the default supplier license. The Danish Energy Agency (DEA) grants the default supplier licenses on the basis of a tender process and the licenses are granted for a 3-year period with the possibility of an extension. The current licenses are set to expire by the end of March 2020, wherefore a tender process has to be initiated in order for the new licences to enter into force. DEA is working towards removing the price intervention, but it remains undetermined when this will happen. The removal will require legislative changes, before it can enter into force.

3.5 Conclusions

The figures in this report show that in almost half of the responding countries in electricity and in gas, some kind of price intervention is in place for household customers.

MS choose to have price intervention in the energy retail market for the purpose of better functioning markets, but also for the purpose of protecting customers. But to what extent can price intervention protect the market and thus the customers and to what extent can it harm it? This question is difficult to answer, as sometimes even in well-functioning retail markets with no price regulation for a long time, a form of intervention with a special price mechanism in order to protect vulnerable customers is reintroduced. Some NRAs' evidence suggests that regulating the charges that a supplier can charge vulnerable consumers will better protect the interests of these consumers in the short term, which justify the decision to reintroduce some kind of price intervention.

On the other side, in some of the countries with price regulation, the market seems to be completely closed, as 100% of the households are under a price intervention mechanism. The results show that in these countries the switching activity is rather low. These countries also do not have a roadmap for a removal of any kind of price intervention in the upcoming years.

But some examples show also that the existence of regulated energy prices does not seem to always necessarily hinder switching activities. The level at which the regulated price is set also plays a crucial role, as switching seems to be less encumbered if the regulated price is set at a relatively high level. Sometimes it could be a question of available and well understood customer information, the market environment and the offers that exist on the market alongside the regulated price that could determine the customer behaviour and thus the activity on the market.

In the non-household segment, the trend for all countries is the decrease of the share of non-household customers under regulated prices and their future removal. In several countries, price regulation was removed recently and in other countries the roadmap of their removal is in place so it is likely to happen in the next years. This segment has turned more towards market liberalisation for some time which implies more competition in this market.

About CEER

The Council of European Energy Regulators (CEER) is the voice of Europe's national regulators of electricity and gas at EU and international level. CEER's members and observers comprise 39 national energy regulatory authorities (NRAs) from across Europe.

CEER is legally established as a not-for-profit association under Belgian law, with a Secretariat based in Brussels to assist the organisation.

CEER supports its NRA members/observers in their responsibilities, sharing experience and developing regulatory capacity and best practices. It does so by facilitating expert working group meetings, hosting workshops and events, supporting the development and publication of regulatory papers, and through an in-house Training Academy. Through CEER, European NRAs cooperate and develop common position papers, advice and forward-thinking recommendations to improve the electricity and gas markets for the benefit of consumers and businesses.

In terms of policy, CEER actively promotes an investment friendly, harmonised regulatory environment and the consistent application of existing EU legislation. A key objective of CEER is to facilitate the creation of a single, competitive, efficient and sustainable Internal Energy Market in Europe that works in the consumer interest.
Specifically, CEER deals with a range of energy regulatory issues including wholesale and retail markets; consumer issues; distribution networks; smart grids; flexibility; sustainability; and international cooperation.

The work of CEER is structured according to a number of working groups and task forces, composed of staff members of the national energy regulatory authorities, and supported by the CEER Secretariat. This report was prepared by the Market Monitoring and Reporting Task Force of CEER's Implementation Benchmarking and Monitoring Working Group.

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