# ERGEG
# Report on
# Transparency of Energy Prices, Bills and Contracts

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# Executive Summary

This report, one of three reports prepared for the ERGEG Customer Focus Group (CFG)[1], summarizes and analyses responses by 23 ERGEG members to a questionnaire designed and distributed by the CFG's Consumer Protection and Customer Switching Task Force (CPCSTF) between April and June 2005.

The report covers the rules, practices, and outcomes characteristic of price, bill, and contract related transparency in the ERGEG member countries. It furthermore considers the state of transparency within the context of corresponding obstacles, achievements and examples.

The report looks at both electricity and (where appropriate) gas markets[2], focusing on household customers as well as small and medium size enterprises[3]. These customer groups are considered most vulnerable within liberalised energy markets. The report is, furthermore, evaluative but non-judgmental and simply reports on what is stated by the questionnaire respondents[4].

The report illustrates substantial diversity in the methods of managing the transparency issue. Whilst all of the respondent countries tackle non-transparency through legislative and regulatory means, a consensus approach does not exist.

One striking finding of the report is that whilst price information is considered a vital pre-requisite of price transparency, availability of this price information may transpire in various ways that put variable responsibilities on the customer's shoulders and drive variable levels of clarity. The information may be available only on request, it may be posted up for all to see, it may be provided directly to the customer, or it may be negotiable and thus highly variable. Furthermore, in some cases, suppliers are not even required to publish incumbent prices at all, or only incumbent companies may need to publish prices, and in less than half of the respondent countries the publication of competitive prices is regulated.

Price changes too, may not be directly informed to customers and information may be provided only after the change takes place. Also, because bills are commonly not split into all relevant component parts, it may be difficult for a customer to compare given components between different energy companies / regions etc., and because a customer may have two or more contracts to contend with (which also may only be explained upon request and may change with little or no clear warning or explanation), comparison may involve the analysis of diverse and complex and even baffling terms, conditions, risks and consequences.

1 The other two reports focus on Customer Protection and Customer Switching.

2 Although far less response data exists for the gas markets.

3 It should be noted, though, that definitions of small and medium enterprises vary greatly around Europe. LV customers are the primary focus of this report.

4 Additional information has only been added in exceptional instances: if the required information has previously or otherwise been gathered by the researchers from the given respondent and known to be fact, whilst questionnaire responses are ambiguous.

Under such circumstances, the role of for instance the following becomes highly significant: public price information; regulator and watchdogs etc. price collection; public price comparison mechanisms like tariff calculators; clear price information on bills; yearly bill estimates and amount summaries; similar pricing structures; and single & standardized contract structures. In this respect some interesting examples already exist as described within the report, but deficiencies are clearly present and the effort required from customers is typically great.

# Preface

At the beginning of March 2005, the European Regulators Group for Electricity and Gas (ERGEG) approved in its meeting the Work Programme 2005 for ERGEG. In the Work Programme, a new focus group – Customer Focus Group – was established. The Focus Group is mandated to evaluate and develop best practice for three areas, which are customer protection related measures as stated in the Electricity and Gas Market Directives, switching process and transparency of energy prices in contracts, energy bills, advertisements and commercials.

The work has been undertaken by the Customer Focus Group and the Consumer Protection and Customer Switching Task Force subordinate to it.

This report examines the status of price transparency regarding energy prices. The focus is on the fact how transparent the information on electric energy and natural gas prices is on the markets (the availability of information and the transparency of price information in advertisements and commercials) as well as in the contracts and bills.

Good price transparency is one of the prerequisites for the proper functioning of the electricity and gas markets. It enhances competition among the suppliers and enables the customers to compare alternative suppliers and make rational choices among them as regards their purchases of electricity and gas.

The report reflects the various practices of ERGEG member countries towards ensuring transparency. There are differences in the way transparency has been ensured – through legislative requirements and/or adopted business practices – and the resulting level of transparency varies as well. As the report concentrates on the small and medium-sized user market, the need for transparency may vary as well depending on the degree of market opening in the household market.

I want to express my thanks to the members of the Focus Group and Task Force for their active and knowledgeable participation in the preparation of the report. Last but not least, I want to express my special thanks to VaasaEmg and its excellent researchers Dr Philip Lewis and Teemu Närvä who have helped the Task Force through the compilation of the report.

Asta Sihvonen-Punkka
Chairwoman of the Customer Focus Group

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# 1. Introduction

## 1.1. Background

### 1.1.1. The mandate of the Customer Focus Group

The European Regulators Group for Electricity and Gas (ERGEG) is the route by which the European regulators provide formal advice to the European Commission. ERGEG's 2005 Work Programme reflects ERGEG's goals and the regulators' view of the Commission's expectation of ERGEG in 2005.

ERGEG's work for 2005 has been organized across three work groups called Focus Groups: The Electricity Focus Group; the Gas Focus Group; the Customer Focus Group. The work in the Customer Focus Group has been organized through a task force called Consumer Protection and Customer Switching Task Force.

The work of the Customer Focus Group and its Consumer Protection and Customer Switching Task Force concentrates on three areas, which are customer protection, customer switching and transparency of prices in the electricity and gas markets. The focus has been on the retail markets consisting of small and medium-sized customers.

As regards the area of customer protection, the Directives 2003/54/EC and 2003/55/EC provide for the protection of households and small businesses through the right to use universal services, i.e. the right to energy supplies at reasonable and transparent prices. Article 3 and Annex A of the Directives lay down in detail measures of customer protection. The evaluation of if and how the Directives have been implemented in each single member state so far is one of the main tasks of the Customer Focus Group and it's Consumer Protection and Customer Switching Task Force.

Another important issue is the development of a best practice solution for the switching process. The possibility to switch to a new supplier within a short period of time and without obstacles and disadvantages for the customer is an essential pre-requisite for a functioning and efficient market.

Furthermore, in order to allow customers to choose between different energy suppliers, transparency of prices is also needed. Without easy verification of energy prices, separated from other components such as network prices or taxes, it is impossible to make a useful price comparison.

### 1.1.2. The significance of price transparency for the efficient functioning of the market

The word transparent in itself means that something is clearly visible and can be distinctly seen. In the framework of electricity and gas markets it means that some sort of information is easily available, it is clearly and distinctly presented, and furthermore, that it is presented in an understandable form. Often the term transparency is used in the context of prices but it may also refer to some other type of information.

In the context of electricity and natural gas prices, price transparency is important at least in three ways. Firstly, the prices have to be easily available to the customers so that they can decide from which supplier to make their electricity and gas purchases. Despite many other factors affecting the choice of supplier, price ranks amongst the most important ones. Without good knowledge of the prices of competing suppliers it is difficult and frustrating for the customer to make enlightened decisions when buying necessity goods like electricity and gas. Poor transparency of prices has a negative effect on the competitive situation among the suppliers by giving them more power over pricing as the customers are not well-informed about prices. Accordingly, accurate, up-to-date information on energy prices must be easily available for the customers.

Secondly, the price information included in the contracts must be transparent. The requirement on transparency applies to other information included in the contract as well. Unless the price information in the contract is transparent, the customer may not be able make comparisons among the present supplier and the competing ones and thus, is not able to make rational decisions on the energy supplier.

Thirdly, the price information in the bills shall be transparent. Without it, the customer is not in the position to verify that the bill and charges in it are according the contract concluded between the customer and the supplier. Furthermore, in the case of changing prices (the contract allows the supplier to make changes in the price charged during the contract period, which may be for an indefinite period of time), transparent information on the energy prices is vital for the customer to actively follow the development of energy prices charged, and moreover, to make price comparisons among suppliers and eventually to change a supplier. To this effect, it is very important that the energy and network charges are separated in the bills so that the customer is able to compare the energy price offers of various suppliers – taking granted that the network charges do not depend on the source of energy supply.

### 1.1.3. The CFG report on transparency of energy prices

This report, one of three reports of the Customer Focus Group, summarizes and analyses responses by the ERGEG members to a questionnaire designed and distributed by the Consumer Protection and Customer Switching Task Force.

The main focus is on household customers as well as small and medium-sized enterprises[5]. These customer groups are considered most vulnerable within liberalised energy markets.

This report, whilst comprehensive to the extent facilitated by the responses to the questionnaire, is nevertheless only seen as an overview. It should also be noted that this report is evaluative but non-judgmental and essentially simply reports on what is stated by the questionnaire respondents. It will be a separate task for the Focus Group and the Task Force to produce a best practice proposition on the transparency of energy prices. Obviously, information gained from this status of affairs report will be used in that work.

Examples used within this report are not meant to indicate best practice, but rather different approaches to the issues concerned.

#### 1.1.4. The transparency of energy prices questionnaire

The Transparency of Prices, Billing and Contracts Questionnaire (referred to later in this report as the Transparency Questionnaire) was designed in April 2005 and subsequently distributed to the ERGEG member countries' energy regulatory authorities for completion and return. The latest date accepted for responses was June 1st 2005.

The questionnaire comprised three main sections plus sub-sections, containing a variety of questions concerning the issue of transparency. The sections were as follows:

1. **Transparency of energy prices**
    a. Legal framework
    b. Availability of price information
    c. Price comparisons
    d. Advertisements and commercial on energy prices
2. **Transparency of bills and receipts**
    a. Legal framework
    b. Contents of a bill
    c. Billing
3. **Transparency of contracts**
    a. Legal framework
    b. Concluding a contract and the contents of contract
    c. Amending the prices and terms of contract
    d. Other issues affecting contracts

5 It should be noted, though, that definitions of small and medium enterprises vary greatly around Europe.

### 1.1.5. Responses to the transparency questionnaire

Altogether 23 countries responded to the Transparency questionnaire. These were: Austria, Denmark, Estonia, Finland, France, Great Britain, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, The Netherlands, Norway, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden and Turkey.

It should be noted that because the level of electricity and gas market liberalization varies substantially between these countries[6], some questions are less relevant to certain countries. This fact, together with the varying degree of regulatory involvement and control in the various countries mean that the amount of response information gathered from each country, and for each question, varies significantly. Furthermore, it should also be noted, though, that not all questions were answered by all respondents.

#### 1.1.5.1. Price Terminology

Regarding types of supply prices available for eligible customers, two core definitions are applied within this report:

**Incumbent List Prices[7] (later referred to simply as 'List Prices'):** These are the default or standard, published tariffs generally received by all inactive customers (customers who are with their incumbent supplier) fulfilling the criteria set for eligibility. In some countries these prices are regulated (partially or fully), in others they are not. Note here that the term **incumbent supplier** refers to a situation whereby a supplier is supplying energy to customers who did not actively choose that supplier. An **incumbent customer** is a customer being supplied by a default supplier.

**Offer Prices:** These are the prices received by customers who through one way or another opt out of the Incumbent List Price. The customer may 'opt-out' through for instance choosing to change to a competitive tariff or by changing supplier and choosing a competitive tariff in the process. These supposedly competitive prices are often referred to as 'offer prices'[8], since they are prices which suppliers choose to offer to existing (incumbent) and or potential (non-incumbent) customers within a liberalised competitive market. Suppliers, however, may not be required to offer these competitive prices to all customers (such as customers from outside their incumbent area), and in some cases suppliers are allowed to and choose to offer different competitive prices to different customers or groups of customers even if they consume the same amount of energy in the same way (e.g. price may depend on where they live or on their profitability). Consequently, offer prices may or may not be published or even easily publishable,

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6 See Appendix II for a table describing liberalization timetables and status in each of the countries.

7 Other common terms with similar meanings also exist (for instance 'standard variable prices') as well as less specific terms (for instance 'eligible prices' or 'regulated prices').

8 Sometimes other terms are used such as 'liberalised' or 'deregulated' prices etc. but these terms tend to be less specific and therefore more ambiguous and (depending on the country concerned) usually do not make a clear distinction between prices received by active versus inactive customers.

but typically they represent the free-market prices offered to and received by customers who are in some way active or desirable within the market.

In some cases offer prices and incumbent list prices are the same. For instance, some suppliers offer the same prices to all in a given customer category, regardless of whether they are incumbent and inactive, or non-incumbent customers.

# 2. Research Findings

## 2.1. Transparency of Energy Prices

### 2.1.1. Legal framework

QUESTIONS:

- National laws and regulations on transparency of energy prices

All respondent countries have regulated distribution tariffs and many others additionally have some degree of regulated approval process or price capping related to energy supply prices (especially incumbent list prices and sometimes also offer prices). Some degree of price transparency is inherent within such supervision but is not necessarily explicit. Whilst various other, more specific, transparency regulations do exist, most respondents did not give any specific details as to the nature of their regulatory framework concerning price transparency. A few interesting characteristics (examples) are given below:

**The case of The Netherlands**
A supplier to small customers must ensure that terms and tariffs are always available for these customers.

**The case of Finland**
The electricity and natural gas market laws oblige the retail suppliers to publish incumbent list prices, and furthermore, to submit these prices to the regulator. Additionally, offer prices of electricity for small customers have to be published and submitted to the regulator for publication.

**The case of France**
Electricity suppliers must (on request) communicate list prices to customers that are under 36 kVA.

**The case of Italy**
Transparency of energy prices and associated charges are subject to specific provisions issued by the regulator. Under the gas supply commercial code of conduct, uniform criteria have been set to improve transparency and comparability of service price and other charges in the free market (unit price information, yearly expense).

**The case of Norway**
The consumer ombudsman regulates the transparency of energy prices (suppliers) and also provides guidelines for the marketing of electricity. The main issues of concern to this regulation include: the specification of the bill; information about prices relating to different consumption levels; information about the marketing of electricity.

**The case of Portugal**
In the non-liberalised market (regulated suppliers/last resort suppliers) applicable tariffs and prices are approved by the regulator. All the information and calculations performed are made available by the regulator through its website. In the liberalised market, suppliers have the obligation to provide transparent information regarding applicable tariffs and prices.

### 2.1.2. Availability of price information

QUESTIONS:

- What kind of energy prices are the suppliers responsible for publishing?
- Is every supplier in charge of publishing prices or just the incumbent?
- Is a supplier responsible for providing the price information to the regulatory authority or other body? When (before or after the price changes)?

#### 2.1.2.1. Which prices must be published – if any?

In most of the respondent countries suppliers are required to publish their list (standard incumbent) prices. Of the 23 countries that answered the questionnaire only in 2 (Spain, Sweden) are suppliers not required to publih their list prices. There are, however, some limitations concerning the extent to which countries must publish their list prices. In Estonia only a weighted price limit is published and in Ireland only the incumbent supplier is responsible for publishing list prices.

Regarding offer prices, less than half of the respondent countries oblige their suppliers to publish their offer prices (although in some countries offer and list prices may be the same and thus offer price publishing may be irrelevant[9]). Offer prices are, however, published in Denmark, Greece, Great Britain, Ireland (only by incumbent supplier), Latvia, Netherlands, Norway, Poland, Slovakia (gas) and soon in Finland. Offer prices in some countries (e.g. Finland) are furthermore often negotiated between supplier and customer, making it difficult to publish them, but in such cases and indeed other cases, independent or official price tracking services (public or otherwise) sometimes provide customers with example or average offer prices in practice.

**The case of Norway**

Suppliers have a duty to report prices which concern one of the three most common forms of contract described below (if they offer them) to the Norwegian competition authority. The competition authority in turn publishes the prices on their website, www.konkurransetilsynet.no/kraftpriser. Suppliers are very aware of the competitive effect this list has, and use it actively within their marketing (e.g. they state if they have been in the "top 3 on the list for the last 6 months").

The three most common contracts are (most suppliers offer at least one of these contracts, often two).

- Standard variable price: this price is linked to the spot price, but with a time lag because prices need to be informed to the customers two weeks prior to coming into effect. This contract is the most common in the household market, about 65 % of households are on this contract. This was the default contract after deregulation, so

[9] It should be noted in fact that in some countries, the nature of list prices may vary. For instance, in the UK offer prices (to new and incumbent customers) and list prices are typically the same within a given incumbent distribution area, but otherwise prices vary depending on the area in question.

that is why the percentage is so high (it includes all those customers who have not made an active choice)

- Spot + mark-up: This contract type follows the spot price on Nord Pool. The price to customers is often a monthly weighted average of this price plus a mark-up (ranging from € 0,001875 to 0,00375 per kWh +)
- Fixed price contracts of various length: The most common is 1 year and 3 years
  In addition some suppliers operate with a fixed tariff per year or per month (typically from € 25 to 50)

**<u>The case of Portugal</u>**

In the electricity non-liberalised (eligible and non-eligible customers) tariffs are published by the regulator which has the obligation to publish them in the Official Journal and on its website at least 15 days before price changes. In the liberalised market suppliers are not responsible for providing information to the regulator or to any other body. In the gas sector, prices are approved by the General Directorate for Energy.

# Figure 1a: Availability of Price Information

| | Required list price publishing | Required offer price publishing | Is every supplier in charge of publishing prices or just the incumbent? | Is supplier responsible for providing price information to the regulatory authority or other body? | When (before or after the price changes)? |
|---|---|---|---|---|---|
| **Austria** | Yes | No (in most cases the same as list prices) | No one | Regulator | Before |
| **Denmark** | Yes | Yes | Incumbent supplier/every supplier regarding standard prices | Regulator regarding incumbent prices | Before |
| **Estonia** | Yes (only weighted average price limit) | No | Every supplier | Regulator | 12 months after |
| **Finland** | Yes | Electricity: Yes<br>Gas: No | Every supplier | Electricity: Regulator or a body specified by it<br>Gas: Regulator | Electricity: Before<br>Gas: When prices changes |
| **France** | Yes | No | Incumbent supplier and every supplier if asked by eligible customer ≤36 kVA | Government | Before |
| **Greece** | Yes | Yes | Every supplier | Regulator and government | Before |
| **Great Britain** | Yes | Yes | Every supplier | Regulator and Energywatch | When prices change |
| **Hungary** | Yes (incumbent suppliers) | No | Incumbent supplier | Regulator | N/A |
| **Ireland** | Yes (only incumbent supplier) | Yes (only incumbent supplier) | Incumbent supplier | Regulator | Before |
| **Italy** | Yes | No | Incumbent supplier | Gas: Regulator (average price) | Gas: Every three months |
| **Latvia** | Yes | Yes | Every supplier and regulator | Regulator | Before |
| **Lithuania** | Yes | No | N/A | Regulator | Before |
| **Luxembourg** | N/A | N/A | DSO | No (prices set by government) | N/A |
| **Netherlands** | Yes | Yes | Every supplier | Regulator | 4 weeks before |
| **Norway** | Yes | Yes | Every supplier | Competition Authority | Before |
| **Poland** | Yes | Yes | DSO | Regulator | Before |
| **Portugal** | Electricity: Non-liberalised market: Yes; Liberalized market: No.<br>Gas: Yes | No | Incumbent supplier / supplier of last resort (for customers not in the liberalised market) | Electricity: No<br>Gas: No | Electricity: N/A<br>Gas: N/A |

# Figure 1b: Availability of Price Information

| | Required list price publishing | Required offer price publishing | Is every supplier in charge of publishing prices or just the incumbent? | Is supplier responsible for providing price information to the regulatory authority or other body? | When (before or after the price changes)? |
|---|---|---|---|---|---|
| **Romania** | Yes | No | Incumbent supplier | Regulator | Electricity: Monthly<br>Gas: Monthly and after |
| **Slovakia (gas)** | Yes | Yes | Every supplier | Regulator | Before |
| **Slovenia** | Yes | No | Every supplier | Electricity: No one<br>Gas: local authority | Gas: N/A |
| **Spain*** | No | No | No one | No | N/A |
| **Sweden** | No | No | Voluntary | No | N/A |
| **Turkey** | Yes | No | Incumbent supplier | Regulator | Before |

*Note: The information provided here refers to the liberalised retail market. There is also a regulated retail market where prices are set by the government.

#### 2.1.2.2. Voluntary publication

Even if not obliged to publish offer or list price information, however, suppliers (in addition to voluntary publication by regulators) may publish their list and/or offer prices voluntarily. For instance, in Austria many suppliers publish their list prices, in Estonia suppliers publish all tariffs and in Sweden it is usual that list and offer prices are published in suppliers' web pages and on the web page of the Swedish Consumer Agency.

#### 2.1.2.3. Who is responsible – every supplier or just the incumbent?

Usually either the incumbent or every supplier is responsible for publishing prices. In 10 countries (Estonia, Denmark, Finland, Greece, Great Britain, Latvia, Netherlands, Norway, Slovakia and Slovenia) every supplier is responsible and in 6 countries ( Hungary, Ireland, Italy, Portugal, Romania and Turkey) only the incumbent supplier[10] is responsible. In 2 countries (Luxembourg and Poland) the DSO is currently responsible.

> **<u>The case of France</u>**
> The incumbent supplier is responsible for publishing prices for non-eligible customers and every supplier must, on request, communicate list prices to customers ≤ 36kVA. When the market becomes fully liberalised, suppliers will have to communicate price lists to customers.

In Austria and Spain no one is responsible for publishing their prices and in Sweden price publishing is a voluntary decision.

#### 2.1.2.4. Where is the information sent?

Suppliers are usually responsible for providing price information to regulators (17 out of 23 countries). In some countries, however, (Luxembourg, Slovenia - electricity -, Spain and Sweden) suppliers do not have to send the price information to anyone[11]. In France regulated prices are sent to and approved by the government, in Greece prices are additionally (as well as to the regulator) sent to government, in Norway prices are reported to the competition authority and in Slovenia (gas) suppliers provide price information to the local authority.

#### 2.1.2.5. When is the information provided?

Price information is usually provided prior to any change, but practices vary substantially between different countries. For instance, in Romania suppliers provide price information on a monthly basis and in the gas market also after price changes, in Italy suppliers operating in the gas sector provide information on average prices offered (in the free market) every three

[10] Sometimes referred to as the DSO (e.g. Poland and Luxembourg).

[11] In Luxembourg this is because price is set by the government

months and in Estonia suppliers provide the information to the regulator 12 months after they come into effect. In Estonia this is because supply companies can't exceed a weighted price limit and the regulator controls this through the price information provided by suppliers.

**The case of Finland**

In the electricity retail supply market the dominant suppliers must publish public list prices – their prices to consumers and other customers who are covered with the obligation to supply (main fuse max 3x63A or annual electricity consumption max 100.000 kWh). The dominant retail electricity suppliers must communicate public list prices to the regulatory authority before they are applied. Concerning natural gas, the suppliers must communicate public list prices to the regulatory authority at the latest when the prices enter into force.

In the latest amendment of the Electricity Market Act, which came into force in December 2004, new rules related to price transparency were enacted. All electricity retail sellers, not only the dominant ones, must notify the regulatory authority or a body specified by it, of the prices of electricity that the retailer in general applies when supplying electricity to consumers and other small users of electricity. The regulatory authority is entitled to issue further regulations on what information related to terms of retail sale and prices and pricing criteria should be delivered to it, how the information should be itemised and how the information should be delivered. This new amendment will enable the regulatory authority to establish a price comparison service based on offer prices as compared to incumbent list prices.

### 2.1.3. Price comparisons

QUESTIONS:

- How can a customer compare the prices?
- Is the comparability of prices ensured (different tariffs for different consumption)?
- Who offers price comparisons (regulatory authorities, consumer organizations, independent private organizations)?
- Are special offers considered in price comparisons?
- Are there any price registers? Who maintains them, how do the registers work, what kind of information they include?

# Figure 2a: Price Comparisons

| | How can a customer compare the prices? | Is the comparability of prices ensured (different tariffs for different consumption)? | Who offers price comparisons (regulatory authorities, consumer organisations, independent private organisations)? | Are special offers considered in price comparisons? |
|---|---|---|---|---|
| **Austria** | Electronic tariff calculator on regulator website | Yes | Regulator | Yes |
| **Denmark** | Gas: TSO website (just households)<br>Electricity: ELFOR's Elpristavle website (max. 1 GWh/year) | Yes | Gas: TSO<br>Electricity: ELFOR | No |
| **Estonia** | Supplier websites | No | No one | No |
| **Finland** | List prices: Regulator and suppliers' websites<br>Offer prices: Directly with suppliers, suppliers' websites, VaasaEMG and other websites | Yes, but slightly limited for example by different tariff structures and absence of yearly costs | List prices: Regulator<br>Offer Prices: Private organizations | Yes by some private organizations |
| **France** | Directly with suppliers | No | Private organizations | N/A |
| **Greece** | N/A (only one incumbent supplier for small consumers) | N/A | N/A | N/A |
| **Great Britain** | Various: eg. door to door selling, phone, newspaper, internet etc. | Yes | Consumer Organization including EnergyWatch, Consumers Association and others | Only if they can be expressed in monetary terms, usually special offers are deemed as extras |
| **Hungary** | Directly with suppliers | No | No one | No |
| **Ireland** | Various (see GB) | N/A | N/A | N/A |
| **Italy** | Directly with suppliers,<br>tariff register on regulator website | Yes | Private consultants | N/A |
| **Latvia** | Newspapers, websites | Gas: Yes<br>Electricity: No | N/A | No |
| **Lithuania** | N/A | Yes | No one | N/A |
| **Luxembourg** | Directly with suppliers | N/A | N/A | N/A |
| **Netherlands** | Directly with suppliers, websites | No | Private organizations | No |
| **Norway** | Competition Authority website | Yes | Competition Authority, newspapers and consumer organizations | No, generally not |
| **Poland** | Through regulator | N/A | No one | No |

# Figure 2b: Price Comparisons

| | How can a customer compare the prices? | Is the comparability of prices ensured (different tariffs for different consumption)? | Who offers price comparisons (regulatory authorities, consumer organisations, independent private organisations)? | Are special offers considered in price comparisons? |
|---|---|---|---|---|
| **Portugal** | Electricity: Non-liberalised market: Through regulator; Liberalized market: Directly with suppliers.<br>Gas: Through General Directorate for Energy's website | No | Electricity: No one<br>Gas: N/A | N/A |
| **Romania** | Electricity: N/A<br>Gas: Newspapers, directly with suppliers | Electricity: Yes, mainly incumbents' prices<br>Gas: Yes | Electricity: No one<br>Gas: Regulator | Electricity: N/A<br>Gas: No |
| **Slovakia (gas)** | N/A | Yes | N/A | No |
| **Slovenia** | Electricity: Through Statistical Office publications<br>Gas: Websites, media | Electricity: yes<br>Gas: no | Statistical Office | No |
| **Spain** | Regulator's* and suppliers' websites, directly with suppliers<br>(* In the liberalised retail market the regulator only provides the list of suppliers operating in each province) | No | No one | No |
| **Sweden** | Directly with suppliers,<br>Consumer Agency website | Yes | Consumer Agency | N/A |
| **Turkey** | N/A | N/A | N/A | N/A |

#### 2.1.3.1. How can a customer compare prices?

In all respondent countries it is possible for customers to compare prices, but comparability of price information depends on accessibility to the information in practice.

The most common approach for a customer who wants to compare prices between companies is typically to use the internet. In Austria, Denmark, Estonia, Finland, Great Britain, Italy, Latvia, Netherlands, Norway, Portugal, Slovenia (gas), Spain and Sweden it is possible to get at least some price information through internet pages. Examples of such websites include the websites of regulators, suppliers, consumer agencies/associations or watchdogs and independent organizations such as brokers and universities.

Contacting suppliers directly is also quite common at least in Finland, France, Hungary, Luxembourg, Netherlands, Portugal (electricity), Romania, Spain and Sweden. Concerning the various forms of direct marketing such as direct mail and telesales, door to door selling (e.g. heavily used in Great Britain) in particular stands out as one which has been a particularly successful method for educating and acquiring customers.

#### 2.1.3.2. Is the comparability of prices ensured?

Price comparability has, according to the questionnaire respondents, been ensured in 9 countries (Austria, Denmark, Great Britain, Italy, Lithuania, Norway, Romania, Slovakia – gas - and Sweden). The evaluation of price comparability seems, however, to be rather subjective and disputable. In 6 countries prices are not considered by the respondents to be comparable (Estonia, France, Hungary, Netherlands, Portugal and Spain). Interestingly, in two countries (Latvia and Slovenia), prices are comparable only in either their gas or their electricity markets, but not both. In Finland price comparability is considered limited for example by different tariff structures and the absence of yearly costs being stated within bills.

#### 2.1.3.3. Who Offers Price Comparisons?

Price comparisons are mainly published in different countries by regulators, consumer organizations or agencies, statistical offices, universities and/or private organizations. According to the responses to the questionnaire, one of the most varied approach to price comparison seems to be in Finland, where list price comparisons can be found on the web pages of the regulator and offer price comparisons can be found on no less than 3 national websites (with a fourth one to come soon). Comparability is generally limited throughout the respondent countries, however, since price comparisons mostly take into account list prices and offer prices are generally excluded.

#### 2.1.3.4. Are special offers considered in price comparisons?

Only in Austria and in Finland (by some private organizations) are special offers considered in price comparisons[12].

#### 2.1.3.5. Are there any price registers or tariff calculators?

Tariff calculators (available for instance in Great Britain and Austria), and price registers (e.g. in Italy) in particular provide useful tools to assist price comparison by customers.

A price register is a publicly (e.g. Austria) or privately (e.g. France) available collection of information regarding the list and or offer prices (historical and or current) within the energy (electricity and or gas) market. Registers vary substantially in terms of their scope, detail and structure. Some registers (for instance in Finland) are an obligation of certain bodies (such as regulators) within the market. Other registers are voluntary (e.g. Great Britain) in nature and might be run by private organizations or non-regulatory/authority representative bodies. Typically, price registers are available through internet pages (e.g. Austria, Denmark, Finland, France, Great Britain, Italy, Norway and Sweden).

A tariff calculator is a publicly (e.g. Austria and Finland) or privately (e.g. Finland and Great Britain) available system by which customers can compare up-to-date list and or offer prices of various suppliers. Tariff calculators vary substantially in terms of their complexity and capabilities. In the simplest cases tariff calculators simply allow customers to compare their list prices against those of incumbent customers of other suppliers. In more advanced cases (e.g. Norway, and Sweden), customers are provided with an extensive service to assist them in the switching process. For instance customers can find out the cheapest alternative suppliers throughout their country, information about the switching process, how much they could save if prices remained unchanged, and they can even switch supplier (for instance in Finland) through the same service.

Altogether, price registers exist in at least 11 countries and tariff calculators in at least 5. The following table describes these examples.

12 Although in Sweden, for instance, whilst special offers are not considered in price comparisons, many suppliers publish this information on their own web pages.

# Figure 3: Availability of price information and tariff calculator

| | **Price register (historical information on prices)** | **Tariff calculator (for example an internet-based system with which customers can compare up-to-date prices of various suppliers)** |
|---|---|---|
| **Austria** | Yes. A price register containing historical information on energy prices (electricity and gas) as well as network prices is available on the regulator's website (www.e-control.at) | Yes. The regulator has a tariff calculator on its website. The tariff calculator calculates the best prices for the individual consumption and the individual area (postal code) and shows a list with all suppliers, who provide in this area. |
| **Denmark** | Yes. The supply-committed undertakings have to notify the Danish regulator about changes in prices and terms. The regulator registers the notifications in a register. The regulator makes a monthly aggregate survey on electricity prices, and for the incumbent electricity supply products the prices are updated on quarterly basis. But the regulator does not actively maintain and update a price register. | N/A |
| **Finland** | Yes. A price register containing historical monthly information on list prices (electricity and gas) as well as network prices is available on the regulator's website (www.energiamarkkinavirasto.fi) | Yes: List prices: The regulator has a tariff calculator on its website (www.energiamarkkinavirasto.fi).<br>Offer prices: There are at least 3 private providers of web-based tariff calculator services (e.g. www.vaasaemg.com). |
| **France** | Yes. Price register is maintained by public organizations (electricity and gas). One private initiative exists but users must pay for this service. Regulated tariffs (supply including network charge) will be made available by the energy regulatory commission (www.cre.fr).Annual electricity network charge can be calculated on the website of the energy regulatory commission (www.cre.fr). | No |
| **Great Britain** | Yes. In Great Britain there is no official price register but parties (eg. Independent price comparison companies) which provide price comparisons tend to have them. These companies get price information directly from the suppliers and then update these registers regularly. | Yes |
| **Italy** | Yes. Price registers containing historical information on domestic customers tariffs, distribution basic and special tariffs (electricity) distribution tariffs, regulated end-user price (gas) are available on the regulator's website (www.autorita.energia.it) | No. Tariff calculator is not present on the regulators' website.No independent, free internet-based tariff calculator systems have been detected. |
| **Lithuania** | Yes. The regulator maintains and updates the price registry. | |
| **Norway** | Yes. A price register with prices for three of the most common products is available on the competition authority's website. Network prices are available on the regulator's website. | Yes. The competition authority and some private organizations offer such calculators. The customers may enter their annual consumption on the web page and the prices will be compared based on this. |
| **Portugal** | Electricity: Non-liberalised market: Yes. Prices are published in the Official Journal and are available on the Regulator' s website. Liberalised market: No information is published on offer prices.<br>Gas: Yes. Prices are published in the General Directorate for Energy website. | Non-liberalised market: Yes. Regulator has developed a calculator that are applicable to assess the best tariff option in the non-liberalised electricity market (tariffs applicable by regulated suppliers).<br>Liberalised market: No. Tariff calculator does not include information about prices of the liberalised market suppliers. |
| **Romania** | Yes. Gas suppliers are obliged to inform prices to the regulator. The regulator updates the price registry each month after receiving prices from each supplier. The regulator may make this data public only at an aggregate level so that sensitive information (commercially) is not disclosed. | N/A |
| **Spain** | All-inclusive tariffs or list prices: Yes. Prices are published every year in the Official Journal for Electricity and every three months for Gas. Two bulletins are additionally prepared by the regulator showing the historical evolution of prices. Offer prices: No. | No. The regulator has developed a calculator, but only to assess incumbent list price-related bills. As for the liberalized market the regulator offers a list of the suppliers that operate in each province. |
| **Sweden** | Yes. There is a price register available on the homepage of The Swedish Consumer Agency, (www.konsumentverket.se). This register is not a complete register. It is voluntary for the suppliers to publish their prices. | Yes. There is a tariff calculator (for different type of contracts and different consumptions) available on the homepage of The Swedish Consumer Agency, (www.konsumentverket.se). |

### 2.1.4. Advertisements and commercial on energy prices

**Questions:**

- How do customers get information about new offers?
- Suppliers' selling methods

Since selling methods often dictate the channels through which customers obtain information about new offers, which in the case of the most active markets is mainly direct marketing channels, both of the above questions are handled here as one.

According to the respondents to the questionnaire, the most common selling method and source of information on new offers is media (e.g. adverts on TV, billboards, radio and magazines). In 14 out of 23 countries, either customers get information through media or suppliers use it as one of their selling methods. Door to door selling and telesales and mixed marketing (apparent in at least 10 countries) are the most popular marketing channels, followed by information available through websites (apparent in at least 9 countries) and information obtained by customer through email or mail (apparent in at least 7 countries). In at least 8 countries it is common for customers to approach suppliers directly. Company brochures and magazines are apparent channels in at least 6 countries and exhibitions & stands in 4.

**<u>The case of Denmark</u>**

Some suppliers send out customer magazines twice a year where they inform customers about new products and services. Suppliers also inform about their products and prices on their websites and advertise on relevant websites. TV, newspaper and magazine advertising are also used. If the customer accepts, he can receive direct mail/email regarding prices and products. And sometimes information is sent through mass mailing to customers in different geographical areas. Exhibitions in shopping centres, fairs, etc are also used.

In the retail market the possibilities for direct marketing are considered limited, because it is not legal to contact the customer by telephone without the customer's written approval. As a consequence an essential selling method is to respond to customer approaches resulting from the above mentioned marketing activities.

In relation to business to business sales visits to customer premises by salespeople are also possible.

# Figure 4: Suppliers' Selling Methods and Sources of Information on New Offers

| | Media (eg. Adverts on TV, billboards, radio, magazines) | Company brochures and magazines | Mail and email | Door to door and telesales | Mixed marketing from suppliers | Websites | Exhibitions and stands | Direct approach by customer |
|---|---|---|---|---|---|---|---|---|
| **Austria** | X | X | Email from tariff calculator | X | X | X | X | X |
| **Denmark** | X | X | X | X (B to B) | | X | X | X |
| **Estonia** | X | | | | | X | | |
| **Finland** | X | X | X | | | X | | X |
| **France** | X | X | X | X | X | X | X | X |
| **Greece** | Only one incumbent supplier for small consumers | | | | | | | |
| **Great Britain** | X | | | X | | | | |
| **Hungary** | | | X | X | | | | X |
| **Ireland** | | | | | | | | |
| **Italy** | | | | X | X | | | |
| **Latvia** | | | | | | | | |
| **Lithuania** | X | | | | X | | | |
| **Luxembourg** | | | | | | | | X |
| **Netherlands** | X | X | | X | X | X | | |
| **Norway** | X | | | X | | X | X | |
| **Poland** | | | | | | | | |
| **Portugal** | | | | | Electricity: X | | | Electricity: X |
| **Romania** | Electricity: X | | Electricity: X<br>Gas: X | Electricity: X<br>Gas: X | Gas: X | | | |
| **Slovakia (gas)** | | | | | X | X | | |
| **Slovenia** | Electricity: X | | | | X | | | |
| **Spain** | X | X | X | X | | X | | X |
| **Sweden** | | | | | | | | |
| **Turkey** | X | | | | X | | | |

## 2.2. Transparency of Bills & Receipts

Most countries have some kind of legal framework that gives specific attention to the transparency of bills and billing. Only three of the respondent countries (Luxembourg, Netherlands and Spain) are known to have no national laws or regulations concerning this issue.

### 2.2.1. Contents of a bill

QUESTIONS:

- Different components of a bill (charges, tariffs and taxes). Which components are obligatory?
- How are energy prices separated from distribution prices and taxes?
- Labeling. Do customers get information about the composition of their electricity (coal, renewable, gas, nuclear etc.)?

#### 2.2.1.1. Obligatory and voluntary components of bills

There is great variation between countries in terms of the components which are required within bills. Charges, tariffs and taxes are differentiated components of bills in Austria, Estonia, Finland, France (electricity), Ireland, Italy, Latvia, Norway, Portugal, Romania, Slovenia (electricity) and Sweden. Tariffs and taxes are differentiated components in France (gas), Hungary and Spain (electricity); tariffs are differentiated components in Lithuania and taxes are differentiated components in Luxembourg and Turkey. In Denmark, Greece, Netherlands and Poland there are no rules yet concerning this issue. However, in Denmark the rules are under preparation and will be available for natural gas at the end of 2005 and for electricity in 2006. There are also various other components included within bills and these vary from country to country as illustrated by the following examples. Other components are mentioned separately in Figure 5.

**The case of Estonia**
The amount of consumed energy, price of energy and network charges must be clearly indicated.

**The case of Finland**
When billing, the supplier must give its customer an itemised account of how the price of electricity or natural gas is formed. The regulatory authority is mandated to issue further provisions on what information should be included in the bill. Accordingly, the Energy Market Authority has issued a norm decision where the specific items to be included in the bill have been listed.

The retail supplier of electricity or natural gas must, within bills, inform customers of at least the following items: the components of tariffs, the number of units that are invoiced, the unit price of various price components, the charged sum of each price component, the total sums of network services and energy price, various taxes and other governmental fees and the total sum of the bill.

**The case of France**

VAT, network charges (in electricity), local taxes and public service taxes have to be included and separated.

**The case of Ireland**

In Ireland, the different components of a bill are: the MPRN number, the tariff rate, the units consumed, the standing charge, the PSO levy, VAT and the billing period.

**The case of Italy**

Both electricity and gas bills must give detailed information on the billing period, meter reading and energy consumption, different tariff components applied, unit prices, taxes and any other charge (e.g. charges for services other than energy supply, interests and charges related to late payment of previous invoices). Additional mandatory information includes payment deadlines and conditions, consequences of late payment; previous-payment status, emergency and repair service telephone numbers, how to request payment spreading (in appropriate cases), actual and standard levels (once a year) of commercial quality of supply, average consumption for the period (once per year).

**The case of Romania**

In Romania, the components of a bill are: the electricity tariff according to the supply contract (the tariff structure is detailed presenting all the tariff coefficients like: demand charge, differentiated electricity prices in case of time of use tariffs, daily charge), VAT and excises, the billing interval, the meter identification code, the initial and the final indexes, the charge interval and data for customer identification.

**The case of Sweden**

There are no rules concerning electricity invoices in the Swedish electricity act but there are general rules concerning various kinds of consumer issues in the consumer protection legislation. The general rules prescribe which components an invoice should contain. Examples of such components include the name of the customer and the supplier, the suppliers´ organization number, F-tax card, charges, energy tax, value-added tax, price for the electricity certificate (a characteristic of the Swedish market), payment date, interest, bank giro or postal giro. Other components that are usually presented (voluntarily, in practice) in an invoice are fees from public authorities such as fees for supervision, preparedness and security.

Furthermore, the distribution company must give the customers a report including, among other things, two important identification items: connection point identity and area identity. Usually these components are shown in the electricity invoice and not in a special report to the customers. These items are necessary for an easy supply switching procedure.

The Energy Markets Inspectorate is not supervising the appearance of the electricity invoice only the report including the identification items.

The branch organization gives recommendations about the appearance of the electricity bill. The branch organization recommends all members to use the same terminology in electricity bills.

## Figure 5: Obligatory Components of Bills (in addition to total billed amount)

| | Charges | Tariffs | Taxes and other government fees | Other components | Comments |
|---|---|---|---|---|---|
| **Austria** | X | X | X | Metering point ID | |
| **Denmark** | | | | | Rules are being set |
| **Estonia** | X | X | X | | |
| **Finland** | X | X | X | Units consumed | |
| **France (electricity)** | X | X | X | | Charges include: energy and services charges, network charges |
| **France (gas)** | | X | X | | Supply and transmission charges are normally not separated on small customers bills |
| **Greece** | | | | | No rules yet |
| **Great Britain** | | | | | N/A |
| **Hungary** | | X | X | Units consumed, billing period, | |
| **Ireland** | X | X | X | Units consumed, PSO Levy, billing period | |
| **Italy** | X | X | X | Billing period, meter reading and consumption, payment deadline, outstanding debts | Dual service (electricity + gas) bills must give separate information for each service supplied |
| **Latvia** | X | X | X | | |
| **Lithuania** | | X | | | |
| **Luxembourg** | | | X | | |
| **Netherlands** | | | | | No rules yet |
| **Norway** | X | X | X | | |
| **Poland** | | | | | No rules yet |
| **Portugal** | X | X | X | Metering point ID, billing period, payment deadline, daily average energy consumption, outstanding debts, etc. | Invoices contain not only the tariffs and prices, but also other charges and applicable levies |
| **Romania** | X | X | X | | |
| **Slovakia (gas)** | | | | | N/A |
| **Slovenia (electricity)** | X | X | X | | Gas: N/A |
| **Spain (electricity)** | | X | X | | |
| **Sweden** | X | X | X | Electricity certificates (for renewables) | Swedenergy is giving recommendations about the appearance of the electricity bill |
| **Turkey** | | | X | Units consumed, daily average energy consumption, debts | |

#### 2.2.1.2. Separation of energy prices from distribution prices and taxes?

Only a minority of the respondent countries separate energy (supply) prices from distribution prices (namely in Denmark, Estonia, Finland, France (electricity), Lithuania, Norway, Poland, Portugal -electricity- and Sweden). In Slovenia energy prices are necessarily separated from distribution prices only for non-eligible customers. In Spain (for electricity) energy prices must be separated within the bill from distribution prices, but at least once per year only. In Romania (gas) prices are separated from distribution, through separated regulation of distribution tariffs

All the countries that separate energy and distribution provide the information through the bills that are sent to customers.

Energy prices are not separated from distribution in Austria, France (gas), Greece, Great Britain, Hungary, Italy, Latvia, Luxembourg, Netherlands, Romania (electricity), Slovakia (gas) and Turkey.

#### 2.2.1.3. Information about the composition of their electricity?

As of 1 July 2004 according to the European Electricity Directive 2003/54/EC (Article 3, paragraph 6), member states have to ensure that electricity suppliers specify in or with the bills and in promotional materials made available to final customers: the contribution of each energy source to the overall fuel mix of the supplier over the preceding year, reference to information on the environmental impact of generating the electricity (in terms of at least emissions of $CO_2$ and radioactive waste).

Customers in 15 countries do not receive information (in the form of some kind of labelling), about the composition of their electricity. These countries are: Denmark (rules will come into force in October 2005), Estonia, Greece, Hungary, Ireland, Italy, Latvia, Netherlands, Norway[13], Poland, Portugal, Slovakia (gas), Spain, Sweden and Turkey.

In five countries (Austria, Finland, France, Romania and Slovenia - electricity -), however, all customers received information about the composition of electricity. In Great Britain it is left up to the supplier to decide on the provision of such information for it is not yet obligatory.
The exact nature of the information and the method used to communicate it is, generally not clear, but the following examples provide some insight into the practices which take place in a few cases.

[13] In Norway there is arguably no point in describing the composition of the energy because energy produced there is almost exclusively hydro. However Norway is part of a Nordic energy market which in turn is linked to the continent, and there is also an exchange with Russia. In these countries energy production is based on many other sources (coal, nuclear etc). Norway is in fact a net importer in an average year.

**The case of Finland**
Suppliers must specify in or with the bill and in promotional materials made available to final customers the contribution of each energy source to the overall fuel mix of the supplier over the preceding year. Bills and promotional materials must also include the reference to existing reference sources, where information on the environmental impact, in terms of emissions of CO2 and the radioactive waste resulting from the electricity produced by the overall fuel mix of the supplier over the preceding year is publicly available. This article only applies to electricity sold in Finland.

According to a governmental decree, the supplier must include information on the origin of electricity in or with the bills at least once a year. Information on origin must be included also in all promotional materials made available to final customers. Information must have at least following three categories: 1) fossil fuels and peat; 2) renewable energy sources; and 3) nuclear energy. Information may be more detailed.

**The case of Great Britain**
It is left up to suppliers to provide labeling information, although there is no obligation for them to do so. Nevertheless, some suppliers that provide green energy explicitly specify so. As of 1 July 2005 it will be a license obligation on suppliers to provide to customers the composition of their electricity.

**The case of Romania**
In the electricity sector suppliers are obliged by the regulator's labelling rules to disclose in or with the bill the fuel sources and the value of the environmental indicators for the electricity supplied in the previous year, in a standardized manner.

**The case of Slovenia (electricity)**
The publication of labelled information is obligatory for suppliers. A supplier has to inform its customers about the structure/composition of the electricity production sources at least once per year. More specifically, each supplier has to publish the shares of individual production sources within the whole structure of its electricity production for the previous year. This information must be published in a supplier's electricity bills and promotional materials.

### 2.2.2. Billing

QUESTIONS:

- Number of estimated bills and availability of description of method for estimating consumption (within bill)
- Is it possible for customers to choose either one bill (including distribution and supply) or separated bills, especially after switching supplier? What is the arrangement like (if there is only one bill who will send the bill, a network operator or a supplier? Are there any problems e.g. with financial securities?)
- Different payment methods available

#### 2.2.2.1. Use and communication of estimated bills

There is substantial variation in estimated billing between different respondent countries. In Norway, Romania (gas), Spain and Turkey there is no estimated billing and thus all the bills are based on real consumption. In the Netherlands, Poland and Slovakia (gas) there are up to 11 estimated bills, but in Finland the number of estimated bills (based on the contract with the supplier) can range from 3 to 11, in Austria from 4 to 12, in Greece from 2 to 4, in Portugal from 0 to 10, and in the rest of the countries surveyed (France, Ireland, Italy, Luxembourg and Romania (electricity), the number ranged from 2 to 10. In Great Britain 36% and in Sweden nearly 100% of bills are estimated and the number of estimated bills varies.

Only in Italy are descriptions of the methods used in estimation available within bills. In Luxembourg it is possible, but it depends on the distribution or supply company. In Romania ex ante estimations are proposed by supplier and agreed by the customer and in Austria descriptions are not regulated by law but are recommended by the regulator.

**The case of Romania**

Between two consequent readings of the meter, suppliers are allowed to issue five-monthly estimated bills. In the bill the supplier has to indicate if the bill is an estimated bill or one based on real consumption. The method for estimation is based on historical consumption data; the monthly value is calculated by the supplier and proposed to the customer. If the customer accepts the proposed amount the bill value is validated, otherwise a customer can suggest a new amount to the supplier.

# Figure 6: Use and Communication of Estimated Bills

| | Number of estimated bills per year | Availability of description of method for estimating consumption (within bill) |
|---|---|---|
| **Austria** | Typically 4-12 | Not regulated by law but recommended by the regulator |
| **Denmark** | Several | N/A |
| **Estonia** | N/A | N/A |
| **Finland** | 3-11 (but no regulations) | N/A |
| **France** | 5 (or 4) estimated bills per year (DSO must read the meter at least once a year) | N/A |
| **Greece** | 2-4 | N/A |
| **Great Britain** | Several (not regulated),<br>on average 36% of all energy bills are estimated. | No |
| **Hungary** | N/A | N/A |
| **Ireland** | 2 | No |
| **Italy** | Electricity: 5 (</= 30kW installed)<br>Gas: 3 (0-500 m3/year); 2 (500-5000 m3/year) | Yes |
| **Latvia** | N/A | No |
| **Lithuania** | N/A | N/A |
| **Luxembourg** | 5 | Depends on the distribution/supply company |
| **Netherlands** | 11 | N/A |
| **Norway** | 0 (no regulations) | N/A |
| **Poland** | 11 | N/A |
| **Portugal** | Electricity: 0-10 (Invoicing monthly and at least two meter readings per year. Estimated bills only for customers with consumption under 41,4 kVA)<br>Gas: No legislation | N/A |
| **Romania** | Electricity: 10<br>Gas: 0 | Electricity: Ex ante estimations proposed by supplier and agreed by customer<br>Gas: No |
| **Slovakia (gas)** | 11 | N/A |
| **Slovenia** | N/A | N/A |
| **Spain** | 0 (only estimated if meter reading cannot be obtained) | No |
| **Sweden** | Nearly 100% of bills are estimated; number of bills: N/A | N/A |
| **Turkey** | 0 | No |

#### 2.2.2.2. Possibility for customers to choose 'one bill' (including distribution and supply) or separated bills, especially after switching supplier

In general, customers cannot choose between one bill (including distribution and supply) and separated bills. In the French (eligible customers), Italian, Romanian, Slovenian (eligible customers) and Spanish electricity markets is it possible to choose between these two options. In Italy and Portugal (electricity), eligible customers have separate billing if they subscribe to different (bilateral) contracts (a supply contract with the supplier and a distribution contract with the DSO).

**The case of Austria**

Normally the customer receives two bills. Some suppliers offer to send one bill for supply and distribution and pay the distribution fee to the DSO in the name of the customer. So the customer can choose the form of billing by choosing a specific supplier.

**The case of Norway**

The regulator has recently proposed that invoicing of network services should be separated from invoicing of energy on a mandatory basis. This has been proposed but is not yet decided or passed, it is currently on a hearing.  It will be decided in December 2005.

Today the customer may receive one or two bills, largely depending on whether the customer has an incumbent supplier or not. Some 2/3 of households receive one bill, 1/3 two bills. According to the regulations joint invoicing is allowed. If the DSO chooses to have joint invoicing with one supplier, it must also offer this possibility to other suppliers who want to have it. In case of joint invoicing of energy and network, the supplier has to follow the regulations which the DSOs are subject to, that is billing in arrears at least four times a year.

It is then typically the DSO which is the decision maker, the one who sets the terms for billing. The customer cannot choose freely, it depends on the arrangement between the DSO and the supplier.

In practice evidence has shown that only suppliers affiliated with a DSO, sharing IT systems etc, are interested in having joint invoicing. These incumbent suppliers have the majority of their customers in one grid area (there are about 130 distribution grid areas in Norway) so they don't have to deal with all the other DSOs and their systems.

Independent suppliers are characterized by having customers spread in many grid areas. For these suppliers it is technically much more difficult to have joint invoicing. In addition if they were to have joint invoicing within the current legal framework they would have to bill in arrears, something that would have negative consequences for their liquidity/cash flow.

The integrated/affiliated suppliers thus have a competitive advantage compared to the new entrants/independent suppliers. The regulator has been aware of this and has tried to overcome this imbalance in conditions for competition. The possibility of joint invoicing on a mandatory basis by the suppliers has been considered. The supplier then would have to place security to the DSO which could be a problem. Furthermore there are major technical problems with regard to having joint invoicing by the suppliers in all grid areas on a mandatory basis due to a lack of a national or at least regional information

system. There are also problems with respect to distribution tariffs. The design of these is not harmonized among the various DSOs which would cause problems when it comes to billing. It would be very costly to introduce mandatory joint billing from the suppliers.
The regulator's view is that the most adequate way of having billing is to have separate bills for energy and network. This view is supported by the competition authority, the consumer Ombudsman and the consumer council. The industry on its side is divided. The integrated companies (= the majority) are against separate bills, whereas the independent suppliers (= the minority) support the proposition.

**The case of Portugal (electricity)**
In the non-liberalised market (the public system), customers receive one invoice that includes access tariffs and energy supply. Customers can request a detailed invoice to the regulated supplier that discriminates the total amount invoiced by the different tariffs.

In the liberalised market, customers that are supplied by one supplier receive one invoice that includes access tariffs. The invoices of the distributor to the suppliers include the access tariffs associated to their customers, being those suppliers responsible for its payment to the distributor. In the liberalised market, customers may be supplied through bilateral contracts. In that case, depending on contractual arrangements, they can receive more than one invoice (one from the distributor (access tariffs) and other invoices from the supplier).

In Finland, the Netherlands and Norway this arrangement is theoretically possible if the supplier and the DSO reach an agreement between each other, but the customer is essentially not the decision maker.

**The case of Denmark**
According to new Danish legislation (gas) / a voluntary agreement (electricity), the supplier will be entitled to send one bill to the customer. However, there is not yet much practice regarding the issuing of one bill. In cases where the customer does receive one bill, by choice or otherwise[14], it is normally the supplier (except for instance Norway where it is normally the DSO who will send the bill but supplier may also do it), who sends the bill to the customer.

#### 2.2.2.3. Available payment methods

There are many different payment methods available to customers in different countries. Figure 7 provides extensive detail on those methods used, but nevertheless in some cases only the most common payment methods are listed. Based on the responses to the questionnaire, the most common payment method is a direct debit (10 respondents); followed by bank transfer (8 respondents); prepayment, cash payment and post office (5 respondents); credit card, cheque and standing orders (3 respondents) and internet (2 respondents). Various other methods such as cash machines and money collection sometimes country specific, were also mentioned.

[14] In some countries, such as Great Britain, the customer automatically receives one bill.

# Figure 7a: Billing and Payment Flexibility

| | Is it possible for customers to choose either one bill (including distribution and supply) or separated bills, especially after switching supplier? | What is the arrangement like (if there is only one bill who will send the bill, a network operator or a supplier)? | Different payment methods available |
|---|---|---|---|
| **Austria** | Normally no but with some suppliers it's possible | Supplier | Direct debit, payment form |
| **Denmark** | No, but the customer can choose a supplier who offers the service (one bill) | Mainly the supplier | Bank, post office, cash payment, electronic transfer, check, credit card |
| **Estonia** | No | N/A | Post office, internet |
| **Finland** | No, depends on agreement/contract between supplier and DSO | Supplier | Bank Transfer, cash payment, electronic transfer ( Periodic estimated invoicing, periodic prepayment system, electronic invoicing) |
| **France** | Yes: For eligible customers | Supplier | Check, bank transfer, direct debit |
| **Greece** | No | N/A | Through banks, direct debit |
| **Great Britain** | No | Supplier | Standard credit, direct debit, prepayment |
| **Hungary** | No | Supplier | Check, cash at some customer centres, bank transfer |
| **Ireland** | No | Supplier | N/A |
| **Italy** | Yes: After subscription of separate contracts with DSO and supplier | Supplier | Post office, bank, credit card, direct debit, suppliers' counter payment |
| **Latvia** | No | N/A | Bank transfer, cash after accounting period, prepayment |
| **Lithuania** | No | N/A | N/A |
| **Luxembourg** | No | N/A | N/A |
| **Netherlands** | No, depends on agreement/contract between supplier and DSO | Supplier | Direct debit, standing order |
| **Norway** | It depends on whether the DSO offers this, and if the supplier is interested in having joint invoicing. | Normally DSO but supplier may also do it | E-invoice (electronic billing, internet), direct debit and others |
| **Poland** | No | N/A | N/A |
| **Portugal** | Electricity: Yes in the liberalized market if customers are supplied through bilateral contracts and depending on contractual issues. Otherwise no.<br>Gas: N/A | Electricity: Supplier<br>Gas: N/A | Direct debit, ATM, customer centres, post office etc. |

## Figure 7b: Billing and Payment Flexibility

| | Is it possible for customers to choose either one bill (including distribution and supply) or separated bills, especially after switching supplier? | What is the arrangement like (if there is only one bill who will send the bill, a network operator or a supplier)? | Different payment methods available |
|---|---|---|---|
| **Romania** | Yes | Supplier | Electricity: Cash, money collection (household customers), prepayment, bank transfer, credit card, direct debit, etc<br>Gas: Cash, bank transfer, credit card, prepayment |
| **Slovakia (gas)** | No | Supplier | N/A |
| **Slovenia** | Electricity: Yes<br>Gas: N/A | Electricity: Supplier<br>Gas: N/A | Electricity: Tariff customers: direct debit<br>eligible customers: various, prepayment etc.<br>Gas: N/A |
| **Spain** | Electricity: Yes<br>Gas: No | Supplier | Standing order (mainly) and others |
| **Sweden** | No | N/A | N/A |
| **Turkey** | N/A | N/A | N/A |

## 2.3. Transparency of Contracts

### 2.3.1. Concluding a contract and the contents of contract

QUESTIONS:

- How many contracts and with whom?
- Methods of making the contract and dealing with contractual subjects (e.g. is it possible to make a contract via telephone or internet?)
- Information to be given to the customer before concluding a contract and information to be included on the contract
- Are contracts standard by consumer groups or not? The extent of standard terms and conditions (extensive/narrow content) if such exist.

#### 2.3.1.1. How many contracts and with whom?

In most of the respondent countries, electricity and/or gas customers are required to have/sign between one to two contracts. Commonly, the number of contracts is in fact just one. Countries where just one contract is needed include Austria, Estonia, France (gas), Greece, Great Britain, Hungary, Italy, Latvia, Portugal, Slovenia, Spain (gas). Typically (in all the above cases except Austria, Estonia, Greece and Portugal -gas-) this one contract is between the customer and the customer's supplier. The supplier thus handles the rest for the customer. In cases where customers are not eligible or electricity/gas companies are not unbundled, the contract may simply be between the customer and the DSO (e.g. Estonia -gas-, Portugal -gas-), or the customer and the incumbent company (e.g. Greece). In France all eligible customers have the choice to sign only one contract concerning supply and distribution (with the supplier) or two contracts (one with the supplier and the other with the DSO). Also in Slovenia such a choice is theoretically possible, but it is not a common practice to sign two contracts.

It is also commonly the case, however, that eligible customers who switch supplier end up with two contracts (one with a supplier and one with a DSO), whereas incumbent customers have just one (typically with a supplier). Countries where this is the case include Finland, Lithuania, The Netherlands, Romania, Spain (electricity).

In some cases customers are, as standard practice, required to have/sign two contracts, typically one contract with a supplier and another with a DSO. This is the case in Norway and Sweden. Turkey is an exception since incumbent customers have two contracts with their DSO whilst switched and other customers have one contract with their DSO and another contract with their chosen supplier.

# Figure 8a: Concluding a Contract

| | How many contracts? | With whom? | Methods of making the contract and dealing with contractual subjects (e.g. is it possible to make a contract via telephone or internet?) | Information to be given to the customer before concluding a contract | Are contracts standard by consumer groups or not? |
|---|---|---|---|---|---|
| **Austria** | 1 | DSO | Offer acceptance: phone, internet<br>Contract signature: in person | Price, terms and conditions. | No |
| **Denmark** | N/A | N/A | In person at sale office, broker, phone (+signature), internet, mail | Rights, obligations, terms and conditions | Yes |
| **Estonia** | 1 | Electricity: Supplier<br>Gas: DSO | Only written contract | Terms and conditions | Yes |
| **Finland** | 1-2 | Supplier or supplier and DSO | Phone or internet (+confirmation) or written if requested | Terms, conditions and alternatives | No (but recommendations are used) |
| **France** | Electricity: 1-2<br>Gas: 1 | Electricity: Supplier or supplier and DSO<br>Gas: Supplier | Written contract, phone or internet | Terms and conditions | No (but standardized) |
| **Greece** | 1 | Incumbent | Written contract | N/A | Yes |
| **Great Britain** | 1 | Supplier | Various: e.g. phone, door to door, internet, etc. + satisfaction audit | N/A | N/A |
| **Hungary** | 1 | N/A | Written contract | Entitled to information on terms and conditions | N/A |
| **Ireland** | N/A | N/A | N/A | N/A | Yes |
| **Italy** | 1 | Supplier | Internet, phone or door to door | Possibility to enter a regulated contract, terms, conditions and quality standards | Usually |
| **Latvia** | 1 | Supplier | Written contract | Terms, conditions, possibility to cancel, tariff and charges | Yes |
| **Lithuania** | 1-2 | Supplier or supplier and DSO | N/A | N/A | Yes |
| **Luxembourg** | N/A | N/A | N/A | N/A | No |
| **Netherlands** | 1-2 | Supplier or supplier and DSO | Phone or internet (+ 10 day wait) | N/A | Usually |
| **Norway** | 2 | Supplier and DSO | Phone etc. (+ signature), internet (+unique metering point ID) or written | Price calculation method and consumption profile | Yes |

# Figure 8b: Concluding a Contract

| | How many contracts? | With whom? | Methods of making the contract and dealing with contractual subjects (e.g. is it possible to make a contract via telephone or internet?) | Information to be given to the customer before concluding a contract | Are contracts standard by consumer groups or not? |
|---|---|---|---|---|---|
| **Poland** | N/A | N/A | Written contract | Terms, conditions and quality standards | No |
| **Portugal** | 1 | Electricity: Supplier<br>Gas: DSO | Electricity: Public sector: Phone, internet etc.<br>Liberalized market: N/A<br>Gas: N/A | Terms and conditions | Electricity: Public sector: yes<br>Liberalized market: N/A<br>Gas: N/A |
| **Romania** | 1-2 | Supplier or supplier and DSO | Written contract | Rights, obligations, terms, conditions and alternatives | Electricity: yes<br>Gas: Variable (yes for regulated market; not for free market) |
| **Slovakia (gas)** | N/A | N/A | N/A | N/A | No |
| **Slovenia** | 1 | Supplier | Electricity: Written contract<br>Gas: N/A | Electricity: Incumbent customers: not specified; tariff customers: terms and conditions<br>GAS: N/A | No |
| **Spain** | Electricity: 1-2<br>Gas: 1 | Electricity: Supplier or supplier and DSO<br>Gas: Supplier | Phone, mail | Supply code, full name, personal identification number, bank account. | Variable (no for liberalised market; yes for regulated market |
| **Sweden** | 2 | Supplier and DSO | Written contract, phone or internet | Terms and conditions | Yes |
| **Turkey** | Incumbent: 2<br>Switched and others: 2 | Incumbent: DSO (2)<br>Switched and others: Supplier and DSO | N/A | Supply contract: terms, conditions, options and risks | Variable (yes for incumbent customers) |

#### 2.3.1.2. Methods (channels) of making a contract and dealing with contractual subjects

In the majority of the respondent countries written contracts (contracts at least signed in person through e.g. door to door sales people, mail or sales offices), are essential. This is the case for instance in Austria, Estonia, Greece, Hungary, Latvia, Poland, Romania, and Slovenia (electricity). In Austria, however, the offer may be accepted via other channels including phone or internet. Written contracts are furthermore accepted in other respondent countries as one of several options.

Internet is also a widely accepted channel in a number of countries, including Denmark, Finland, France, Great Britain, Italy, Netherlands, Norway and Sweden. In Great Britain this and other channels are backed up by post-switch satisfaction audits, in the Netherlands by a 10 days wait to give the customer time to contemplate the decision. In Norway when entering a contract over the internet a unique metering point ID must be included.

Other frequently used and accepted channels include telephone (e.g. Finland, France, Great Britain, Italy, Netherlands, Norway and Sweden, though in Denmark a signature is also needed and in Sweden the need for a signature has been proposed) and brokerage services. In Norway also a signature is needed (except for internet agreements) from the customer so a phone call alone is not enough.

#### 2.3.1.3. Information to be given to the customer before concluding a contract and information to be included on the contract

Terms and conditions must typically be provided to customers prior to concluding a contract as well as being provided within the contract itself. Other information which is also often required (as pre-information as well as content of the contract) includes a customer' rights and obligations including the customer's alternatives and rights to cancel a contract or switch tariff or supplier; prices and or charges and or price calculation methods; a customer's consumption profile; quality standards; supply code. For more information please refer to Figure 8.

#### 2.3.1.4. Are contracts standard by consumer groups or not?

Contracts are commonly standardized within given consumer groups. This is for instance the case in Denmark, Estonia, Greece, Ireland, Latvia, Lithuania, Norway, Romania (electricity) and Sweden. Furthermore in Portugal (electricity non-liberalised market), Romania (gas), Spain and Turkey they are standardized at least for incumbent/regulated customers. In the Netherlands, Finland and France there is also an extensive amount of standardization. Standardization does not take place, for instance, in Austria, Luxembourg, Poland, Slovakia and Slovenia.

### 2.3.2. Amending the prices and terms of contract

QUESTIONS:

- Suppliers' right to make changes to the contract. How and when the customers must be informed about them?
- Availability of explanation on price increases and other changes
- Customers' right to withdraw from contracts

#### 2.3.2.1. Suppliers' right to make changes to the contract

It is quite common that suppliers can in principle change elements of contracts (e.g. Great Britain usually), but often this is dependent upon the nature of the given contract and may be dependent upon the approval of the changes by both parties. In Portugal, suppliers have the obligation to notify their customers of any intention of making changes to the contract, which may not be accepted by the customers. In Greece any changes have to be approved by the relevant minister. Changes are not, however, allowed for instance in France. In Norway changes in the standard contracts must be done in consultation with the consumer ombudsman.

#### 2.3.2.2. How and when the customers must be informed about them?

There is substantial variation between the respondent countries on this issue. For instance in Austria, customers must be informed 10 weeks in advance, whereas in Great Britain it is typically 10 days. In Italy the notification period is 60 days for gas customers, in Norway it is two weeks and notification has to be done with a direct message or other suitable method, in Sweden 15 days for prices and three months for other changes. In Poland, Portugal and Romania (gas) advanced notice is enough. In the Romanian electricity market either the customer or the supplier can initiate additional acts to the supply contract. The additional act must be accepted before entering into force.

There is no clear picture of the methods used to inform customers of changes, but in Sweden for instance, the supplier must send a special message to the customer or announce the change in newspaper(s), on their homepage etc.

> **<u>The case of Great Britain</u>**
> Except in such cases or classes of cases as may be approved by the authority, where a domestic supply contract allows for its unilateral variation (in any respect) by the licensee and pursuant thereto the licensee raises the charges for the supply of electricity pursuant to such contract or otherwise varies any term to the significant disadvantage of the domestic customer, the licensee shall within 10 days of the variation give to the customer written notice: Of the variation; Of the domestic customer's right to terminate the domestic supply contract; Of the effect of the next paragraph:
>
> > Where a domestic customer gives to the licensee a valid notice of termination within 14 days of receiving notice under the previous paragraph, the licensee shall treat the variation as ineffective and shall neither enforce nor take advantage of it.

#### 2.3.2.3. Availability of explanation on price increases and other changes

Often, information which is available to customers is only available on request. This is the case for instance in Estonia, Italy, Latvia and Romania (electricity). Information is also often published to the public (e.g. Lithuania and Romania - gas -) through for example web pages and media. In Denmark, Finland and Portugal, however, personal notification is compulsory in all such cases. In Austria, France and Spain it depends on the nature of the contract.

**The case of Norway**

The customer must be notified about price increases for contracts where the variable price is set in advance. Usually there is a two week notification period, directly to the customer from the supplier. For contracts where the price follows the market price directly and thus not set in advance, the supplier must still inform the customer about the probable/assumed price in advance.

**The case of Finland**

The distribution system operator and the supplier must provide their contracting party with information on how the prices or other contractual terms will change, when the change will come into effect, and what the grounds for the change are. The contracting party must be informed whether he has the right to terminate the contract. If the reason for the change is not a legislative amendment or a decision by the authorities, the change may come into effect, at the earliest, one month after the notification of the change has been given.

#### 2.3.2.4. Customers' right to withdraw from contracts

Customers typically have the right to withdraw from contracts within a wide range of periods from the time of the contract change. The nature of the given contract may, however, play a significant role in this right and the time associated with it. In Norway (depending on the contracts) and Lithuania, customers can normally withdraw any time. Elsewhere, where a typical time exists, it is mostly somewhere between two weeks to a month. Within these time constraints withdrawal is normally free of charge.

**The case of Austria**

Customers' right to withdraw from a contract depends on the contract. The minimum standard is: The right to withdraw after one year or every half year with a 4 week cancellation period. Most contracts determine the possibility to withdraw at any time with a 4 weeks cancellation period.

# Figure 9a: Amending Prices & Terms of Contracts

| | Suppliers' right to make changes to the contract. | How and when must customers be informed about changes to the contract? | Availability of explanation on price increases and other changes | Customers' right to withdraw from contracts |
|---|---|---|---|---|
| **Austria** | Changes must be agreed between both parties | Personally about 10 weeks before changes | Depends on contract | Depends on contract – minimum standard: Right to withdraw after one year: every half year with 4 weeks cancellation period. Most contracts determine the possibility to withdraw any time with a 4 weeks cancellation period. |
| **Denmark** | Depends on contract | Written notification | Grounds for the change must be given in written notification | The customer must be informed of right of termination in written notification. Typical notification period 14 days |
| **Estonia** | N/A | N/A | On request | N/A |
| **Finland** | Typically: May change prices and other terms of contract under various circumstances, e.g. if: grounds of such change are specified in contract (excluding non-incumbent fixed-term contract); change is based on unforeseeable legislative etc. compliance; special change in circumstance etc. (incumbent contracts) | Written notification, at least 1 month before (excluding changes based on a legislative amendment or a decision by the authorities) | Grounds for the change must be given in written notification | The customer must be informed of right of termination in written notification. Typical notification period 2 weeks |
| **France** | None | - | Depends on contract | Yes, but with potential penalties |
| **Greece** | If approved by the minister | N/A | N/A | N/A |
| **Great Britain** | Typically: Yes | Typically: Unless approved by authority, 10 days notice must be given to customer if the customer is disadvantaged by the change. The customer must be informed also of right of termination of contract and that within 14 days of notice from supplier, may terminate contract without contract becoming effective | N/A | N/A |
| **Hungary** | N/A | N/A | N/A | 30 day notification period |
| **Ireland** | N/A | N/A | N/A | N/A |
| **Italy** | Depends on contract | Gas: Eligible customers must receive written notice at least 60 days before proposed changes enter into force and must be informed about their right to withdraw without charges | On request | Depends on contract; maximum 30 day notification period for regulated contracts |
| **Latvia** | Typically: Suppliers have right to propose changes and amendments | N/A | On request | Depends on contract |
| **Lithuania** | N/A | Information and explanation of price changes in mass media, internet, telephone etc. | Various (media, internet, telephone, etc.) | Gas:Incumbent customer can withdraw any time without penalties. |

# Figure 9b: Amending Prices & Terms of Contracts

| | Suppliers' right to make changes to the contract. | How and when must customers be informed about changes to the contract? | Availability of explanation on price increases and other changes | Customers' right to withdraw from contracts |
|---|---|---|---|---|
| **Luxembourg** | N/A | - | N/A | N/A |
| **Netherlands** | N/A | N/A | N/A | N/A |
| **Norway** | Changes in the standard contracts must be done in consultation with the Consumer ombudsman. | Two weeks ahead of change directly to the customer from supplier. | Regulator's weekly market price report (often referred to in media) | Depends on contract but normally any time |
| **Poland** | Suppliers have right to propose changes and amendments | Notification in advance: of proposed changes to contract; of customer's right not to accept changes | Notification | Depends on contract |
| **Portugal** | Suppliers have the obligation to notify their customers of any intention of making changes to the contract, which may not be accepted by the customers. | Notification in advance of proposed changes to contract | Electricity suppliers must notify directly their customers. | Customers can withdraw supply contracts if they don't accept the changes to the contracts. |
| **Romania** | Electricity: Customer or supplier can change contract.<br>Gas: Only for eligible consumers, if no contradiction of existing clauses | Electricity: Either the customer or the supplier can initiate additional acts to the supply contract.<br>The additional act must be accepted before entering into force.<br>Gas: Before the changes are made | Electricity: On request<br>Gas: From regulator and suppliers and also media | Electricity: Depends on contract<br>Gas: Incumbent customers: 30 day notification period<br>switched customers: depends on contract<br>eligible consumers: Depends on contract |
| **Slovakia (gas)** | N/A | N/A | N/A | Depends on contract |
| **Slovenia** | Changes must be agreed between both parties (supplier and customer). | N/A | N/A | Electricity: Depends on contract<br>Gas: N/A |
| **Spain** | Depends on contract | Depends on contract | Depends on contract | Depends on contract |
| **Sweden** | Regulated in the standard terms of contract | Changes of electricity price must be announced at least 15 days in advance. Electricity supplier has to send special message to the customer or announce change, in newspaper or on homepage. Other changes in the contract must be announced at least 3 months in advance | N/A | Contract agreed via e.g. telephone or Internet: within 14 days. Otherwise withdrawal may lead to damages if the contract is fixed for a certain period of time. |
| **Turkey** | Changes must be agreed between both parties (supplier and customer). | N/A | N/A | N/A |

### 2.3.3. Other issues affecting contracts

QUESTIONS:

- Obstacles to keep new suppliers out of competition (deadlines, securities, changing fees etc.)
- What happens if the new supplier fails (bankruptcy)? Is there an obligation to deliver energy for other suppliers?

#### 2.3.3.1. Obstacles to keep new suppliers out of competition

New suppliers may find it difficult to compete is if the incumbent's position is too strong. This may occur for instance: if the incumbent has more switch-essential information (e.g. Austria, Norway and Portugal); if there are fees attached to switching supplier (e.g. Finland for customers switching more than once per year) or contractual penalties (e.g. France, Slovenia and wherever long fixed-term contracts exist) or if suppliers can block a switch based on a customer's credit situation (e.g. Great Britain); if incumbents (suppliers or DSOs) request unnecessary documents or information as part of the switching or network access process (e.g. Italy); if notification deadlines are not clearly stated (e.g. Italy) or if switching procedures are otherwise prolonged (e.g. Poland); if network access is restricted (e.g. Germany) or unjustified obstacles are posed by the DSO (e.g. Italy); if incumbents re-negotiate with their customers who are about to switch (e.g. Poland, Finland); if there are unfavourable balancing rules or technical requirements (e.g. Poland); if switching procedures are ambiguous or non-transparent (e.g. Poland).

**The case of Norway**

In Norway there is evidence of competitive distortion as the incumbent supplier may have advantages through being affiliated with a DSO (they share information systems, call centers, billing etc). This is a cost saving for the incumbent and thus gives them a competitive advantage.

#### 2.3.3.2. What happens if the new supplier fails (bankruptcy)? Is there an obligation to deliver energy for other suppliers?

For a more extensive summary of this issue the reader is advised to refer to the *Report on the ERGEG Customer FG Questionnaire on Customer Protection*[15].

[15] For more information please contact ERGEG or the writers.

## Conclusions

The ERGEG Customer Focus Group undertook to review the major issues related to the transparency of energy prices in the retail electricity and gas markets in the ERGEG member countries. The report resulting from the task is based on the answers to the questionnaires submitted by the members of the Customer Focus Group. Accordingly, as the answers concentrated more on the electricity market, this report provides more information on the transparency of electricity prices than of gas prices.

The importance of price transparency is affected by the degree of market opening. In the pre-liberalised situation, the significance of price transparency is limited as the customers mainly need the price information to verify the correctness of their electricity and gas bills, and to some extent, to follow the price development of these energy commodities. The need for transparency increases radically as soon as the market opening takes place, there are alternative suppliers and the customers are able to choose their supplier.

In the context of electricity and natural gas prices, price transparency is important at least in three ways. Firstly, the prices have to be easily available to the customers so that they can decide from which supplier to make their electricity and gas purchases. Secondly, the price information included in the contracts must be transparent. Unless the price information in the contract is transparent, the customer may not be able make comparisons among the present supplier and the competing ones and thus, is not able to make rational decisions on the energy supplier. Thirdly, the price information in the bills shall be transparent. Without it, the customer is not in the position to verify that the bill and charges in it are according to the contract concluded between the customer and the supplier.

As the electricity and gas markets are in the different stages of the opening process in the ERGEG member countries – a number of countries having fully opened up the markets while some still in the process of opening them – the nature of prices varies accordingly. In the transition period there may for instance be in place some forms of regulated tariff systems to provide protection for the small and especially household customers of electricity and gas. Therefore, three different groups of prices were identified: **incumbent list prices** (regulated tariffs in one way or another, generally available to all customers fulfilling the criteria set for the eligibility), **offer prices** (unregulated tariffs, generally available to all customers) and **special offer prices** (unregulated tariffs, available only to a smaller group of customers or a certain customer, not necessarily a published price).

In most of the respondent countries, suppliers are required to publish their public list prices whereas there may be limitations as regards its application. In a number of countries it is just the incumbent supplier that is required to publish its prices. However, in less than half of the respondent countries, the suppliers are obliged to publish their offer prices.

In all respondent countries it is possible for customers to compare prices, but the comparability of price information depends on the accessibility to the information in practice. It seems that the most common approach for a customer to get price information is to use the Internet. The sources of information are the websites of suppliers, regulators, other authorities (competition or consumer authorities), consumer associations and independent organizations like brokers and universities.

Despite the fact that it is possible to gain information on prices via Internet, the level of transparency may not be good enough. If the information is scattered – the customer has to go to find information on the websites of several suppliers – and it is not up-to-date – the prices quoted are not valid – it may be difficult for the customer to compare suppliers. It may be too much to expect that as simultaneously the customer has to purchase many other goods and services gas and electricity being only two commodities among the many others, that the customer is ready to put a lot of time and effort to gathering information and to make subsequent buying decisions. Therefore, as far as the small-user segment of the electricity and gas markets are concerned, the price information should be easily accessible to lower the threshold to enter the competitive market and act as an active customer in these markets.

In some respondent countries a specific tariff calculator is available for electricity customers. As regards offer prices (unregulated tariffs) these countries include Great Britain, Austria, Norway and Sweden. The tariff calculator includes information on the valid electricity prices of all active suppliers. It is an excellent way of providing small customers – especially households – with the necessary information to enable them to make price comparisons. The key issues with the tariff calculator are that all suppliers are included to guarantee maximum coverage and that the price information is valid the prices being the ones that the suppliers really apply at that moment. If not all the suppliers are included, the customers still have to go somewhere else to complete their information. Similarly, if the prices are not the valid ones, the value of the comparison is lowered and the customer has to turn to some other sources to information before eventual supplier switching decision.

In a number of respondent countries, there exists a price register, which contains historical price information. The need for historical price information is evident but less important than the need for a system like tariff calculator. For the purpose of making price comparisons on a time-series basis historical information is needed. However, for the purpose of ensuring a functioning market, it is the up-to-date price information on each supplier that the customer needs for a price comparison.

Most respondent countries have some kind of legal framework concerning the transparency of bills and billing. The relevant factor here for the market functioning and thus for the customer to be able to draw conclusions from the present supplier's prices and to make price comparisons is the separation of energy prices from network prices. There is great variation between countries in terms of the components which are required within bills and only a minority of respondent countries separate energy prices from distribution prices.

When the questionnaire was distributed and filled in, there were only a few respondent countries where customers received information, in the form of some kind of labeling, about the composition of their electricity. The Electricity Market Directive has required that as of 1 July 2004 the electricity suppliers have to specify in or with the bills and in promotional materials make available to final customers the contribution of each energy source to the overall fuel mix of the supplier over the preceding year with reference to information on the environmental impact of generating the electricity.

To conclude, on the basis of the responses to the questionnaire on the transparency of electricity and gas prices, there seems to be a room for improving transparency to enhance the position of small and medium-sized users in the European electricity and gas retail markets. Despite many other factors affecting the choice of supplier, price ranks amongst the most important ones. Without good knowledge of the prices of competing suppliers it is difficult and frustrating for the customer to make enlightened decisions when buying necessity goods like electricity and gas. Poor transparency of prices has a negative effect on the competitive situation among the suppliers by giving them more power over pricing as the customers are not well-informed about prices. Accordingly, accurate, up-to-date information on energy prices must be easily available for the customers.

# Appendix I: Questionnaire Sample

ERGEG Customer FG
Questionnaire on Transparency of Energy Prices, Bills and Contracts
13-04-2005

**Transparency of energy prices**

Legal framework
- National laws and regulations on transparency of energy prices

Availability of price information
- What kind of energy prices are the suppliers responsible for publishing (only the list prices or offer prices as well? Does this cause any confusion among customers?)
- Is every supplier in charge of publishing prices or just the incumbent?
- Is a supplier responsible for providing the price information to the regulatory authority or other body? When (before or after the price changes)?

Price comparisons
- How can a customer compare the prices?
- Is the comparability of prices ensured (different tariffs for different consumption)?
- Who offers price comparisons (regulatory authorities, consumer organizations, independent private organizations)?
- Are special offers considered in price comparisons?
- Are there any price registers? Who maintains them, how do the registers work, what kind of information they include?

Advertisements and commercial on energy prices
- How do customers get information about new offers?
- Suppliers' selling methods

**Transparency of bills and receipts**

Legal framework
- National laws and regulations on bills and billing

Contents of a bill
- Different components of a bill (charges, tariffs and taxes). Which components are obligatory?
- How are energy prices separated from distribution prices and taxes?
- Labeling. Do customers get information about the composition of their electricity (coal, renewable, gas, nuclear etc.)?

Billing
- Number of estimated bills and availability of description of method for estimating consumption (within bill)
- Is it possible for customers to choose either one bill (including distribution and supply) or separated bills, especially after switching supplier? What is the arrangement like (if there

is only one bill who will send the bill, a network operator or a supplier? Are there any problems e.g. with financial securities?)
- Different payment methods available

**Transparency of contracts**

Legal framework
- National laws and regulations on the contractual issues

Concluding a contract and the contents of contract
- How many contracts and with whom?
- Methods of making the contract and dealing with contractual subjects (e.g. is it possible to make a contract via telephone or internet?)
- Information to be given to the customer before concluding a contract and information to be included on the contract
- Are contracts standard by consumer groups or not? The extent of standard terms and conditions (extensive/narrow content) if such exist.

Amending the prices and terms of contract
- Suppliers' right to make changes to the contract. How and when the customers must be informed about them?
- Availability of explanation on price increases and other changes
- Customers' right to withdraw from contracts

Other issues affecting contracts
- Obstacles to keep new suppliers out of competition (deadlines, securities, changing fees etc.)
- What happens if the new supplier fails (bankruptcy)? Is there an obligation to deliver energy for other suppliers?

# Appendix II: Liberalization Status & Timetables

## Liberalization Timetables (a)

| | Timetable of Eligibility (Electricity) | Timetable of Eligibility (Gas) |
|---|---|---|
| **Austria** | 01.10.2001: All customers | 01.10.2002: All customers |
| **Denmark** | 01.04.2000: > 10 GWh/yr<br>01.01.2001: > 1 GWh/yr<br>01.01.2003: ≤ 1 GWh/yr (all other customers) | 01.07.2000: > 35m Nm3/year<br>01.07.2002: > 25m Nm3/ year<br>01.08..2003: >12m Nm3/year<br>01.01.2004: All other customers |
| **Estonia** | Currently: > 40 GWh/yr<br>01.01.2009: ≥ 10 GWh/yr<br>01.01.2013: All other industrials | Currently: > 200000 m3 /yr |
| **Finland** | 01.11.1995: I&C > 500kW (but no electricity exchange existed until 1996)<br>01.01.1997: Customers with hourly metering<br>01.09.1998: Households with main fuse max 3x63 A and max demand 45 kW<br>01.11.1998: All customers with a main fuse max 3x63 A and max demand 45 kW | 01.3.2001 (secondary market): ≥ 5 million m3/yr and remote meter reading |
| **France** | 16.12.1999: > 100 GWh/y<br>30.05.2000: > 16 GWh/y<br>08.02.2003: > 7 GWh/y<br>25.06.2004: All other non-households<br>By 01.07.2007: All other customers | 10.8.2000: 237 GWh/y<br>10.8.2003: 83 GWh/y<br>01.07.2004: All non-households<br>By 01.07.2007: All other customers |
| **Great Britain** | 04.1990: Large I&C customers with maximum demand of ≥ 1MW<br>04.1994: Medium I&C customers with a maximum demand of ≥ 100kW-1MW<br>09.1998-24.05.1999: Households | By 23.05.1998: All customers |
| **Greece** | Currently: All non-households<br>By 01.07.2007: All households (except those living in the non-interconnected islands) | 01.07 2005: Electricity producers and CHP plants<br>> 25GWh/year consumption. |
| **Hungary** | 01.01.2003: > 6,5 GWh/yr<br>01.06.2004: All non-households | 01.01.2004: > 500m3/hour |
| **Ireland** | 19.02.2000: > 4 GWh/yr<br>19.02.2002: > 1 GWh/yr<br>19.02.2004: > .1 GWh/yr<br>19.02.2005: All other customers | 1995: > 265 GWh<br>2002 > 21 GWh<br>2003 > 5.25 GWh<br>2004: All non-households approx. 73,000 kWh |
| **Italy** | 10.1999: > 30 GWh<br>04.2000: > 20 GWh<br>04.2002: > 9 GWh<br>05.2003: > 0.1 GWh<br>06.2004: All non-households<br>By 01.07.2007: All customers | 06.2000: > 200.000 m3/year<br>01/01/2003: All other customers |

# Liberalization Timetables (b)

| | Timetable of Eligibility (Electricity) | Timetable of Eligibility (Gas) |
|---|---|---|
| **Latvia** | Currently: All non-households<br>01.07.2007: All other customers | N/A |
| **Lithuania** | 01.07.2004: All non-households | Regulators decide upon individual applications |
| **Luxembourg** | N/A | N/A |
| **Netherlands** | 01.08.1998: 650 largest energy customers<br>01.07.2001: Green electricity customers<br>01.01.2002: 60000 middle size I&Cs<br>01.07.2004: Households & commercials | 1998: Liberalisation commenced<br>01.07.2004: All customers |
| **Norway** | 01.01.1991: All customers legally eligible to switch through the energy act (but required hourly metering)<br>01.01.1995: Small / Household customers could switch without hourly metering, but a reduced 246Nkr switching cost remained and switching suppliers could still only take place 4 times per year at the beginning of a quarter<br>01.01.1997: Switching possible without charges<br>1998: Network owners must send settlement data by means of the EDIEL standard. The message MSCONS is required for this purpose.<br>01.01.1998: Switches allowed to switch every week. Switches take place on Mondays<br>1999: Mandatory use of PRODAT. Messages regarding change of supplier must be sent by means of the EDIEL message PRODAT. | No specific timetable exists for the liberalization of the natural gas market. However, Norway has implemented Gas Directive I into a Gas act and has also implemented Directive II with some exceptions (since Norway is deemed an emerging market in terms of gas) |
| **Poland** | 01.07.2004: All non-households<br>01.07.2007: Households | 01.07.2004: All non-households<br>01.07.2007: Households |
| **Portugal** | Until the end of 2001: medium voltage (MV), high voltage (HV) and very high voltage (VHV) customers with annual consumption equal or higher than 9 GWh<br>01.01.2002: All other MV, HV and VHV customers<br>01.02.2004: Low voltage (LV) customers with contracted power higher than 41,4 kW<br>01.08.2004: All other customers | N/A |
| **Romania** | 2000: > 100 GWh/yr<br>2001: > 40 GWh/yr<br>2002: > 40 GWh/yr<br>2003: > 20 GWh/yr<br>01.11.2004: > 1 GWh/yr<br>01.07.2005: All other non-households<br>By 01.07.2007: All other customers | 08.2001:5,000,000 m3 per year: 10% of market<br>05.2002: 5,000,000 m3 per year: 25% of market<br>04.2003:4,000,000 m3 per year: 30% of market<br>04.2004:3,000,000 m3 per year: 40% of market<br>01.2005: 3,000,000 m3 per year: 50% of market<br>07.2005:1,240,000 m3 per year: 50% of market<br>07.2006: 75% of market<br>01.2007: All other non-households<br>07. 2007: All other customers |

# Liberalization Timetables (c)

| | Timetable of Eligibility (Electricity) | Timetable of Eligibility (Gas) |
|---|---|---|
| **Slovakia** | N/A | N/A |
| **Slovenia** | 01.07.2007: Households | 01.07.2007: Households |
| **Spain** | 01.01.1998-01.10.1999: Staged liberalisation (by consumption) of I&C customers of 15GWh/yr+ down to to 1GWh+<br>01.07.2000: I&C with voltage above 1000V<br>01.01.2003: Households | 01.01.1999: > 20Nm3 per year<br>01.04.1999: > 10Nm3 per year<br>01.01.2000: > 5Nm3 per year<br>25.06.2000: > 3Nm3 per year<br>01.01.2002: > 1Nm3 per year<br>01.01.2003 - All consumers |
| **Sweden** | 01.01.1996: I&C and residential, but new meters required for switchers from incumbents<br>01.11.1999: I&C and residential, new meters no longer required | 01.07.2005: Non-households<br>01.07.2007 All other customers |
| **Turkey** | As of 2005: 7.700.000 kWh/yr<br>By end 2011: All other customers | N/A |