

Citizens' Summary

ACER-CEER Market Monitoring Report on EU Electricity and Gas Markets in 2014

The ACER-CEER Market Monitoring Report, presented on 30 November 2015, reveals that, despite some progress in the European wholesale market integration process, electricity and gas prices for EU households continued to rise. On the positive side, market integration led to a wider choice of electricity and gas products for household consumers and consumers who switched suppliers in 2014 could save up to €400 in some EU capitals.

WHAT ARE THE MAIN FINDINGS OF THE REPORT?

In terms of wholesale market developments:

- **The good news is that wholesale energy market integration progressed and wholesale energy prices further decreased in 2014**, continuing the trend from the previous year. The increased presence of renewable energy sources and decreasing gas demand (and oil prices) contributed to the fall in wholesale prices.
- As regards **wholesale electricity markets**, cross-border trading in the day-ahead timeframe (i.e. contracts between sellers and buyers for delivering electricity on the following day) became easier and more efficient with the extension of “market coupling” to 28 out of the 40 borders among the EU countries, due to improved allocation of the cross-border transmission capacity used for trading electricity.
- **Wholesale gas prices decreased in 2014**. Gas contract prices were still often linked to oil prices, although this practice is slowly being replaced by indexation to prices on market places (known as “hubs”). In fact, gas price formation is increasingly driven by gas factors only, supported by the ongoing development of hubs where trading takes place and where gas supply and demand needs determine the price. Well-functioning trading hubs are an essential part of competitive markets. In 2014, progress in hub development and liquidity was achieved, in particular in North-West Europe. Moreover, the enhanced integration of gas pipelines, for example between the Central Eastern Europe and North Western Europe regions, promoted competition. If citizens, in particular in South-South East Europe, are to benefit from further market integration, the efforts in the region need to continue and be sped up.

In terms of retail market developments:

- Despite lower electricity and gas demand in 2014 and a general decrease in wholesale energy prices, **consumer/retail prices for electricity and gas increased** in the majority of EU Member States: **electricity prices for households rose by around 2.6% and gas prices by 2.1%**, compared to the previous year. Prices continued to differ considerably between national markets (e.g. the final electricity price in Denmark was more than three times higher than the price in Romania). Nevertheless, if not for the EU’s market integration efforts, the current prices for electricity and gas would probably be even higher.
- After seven years of full market opening, **regulated end-user prices for households** (a key barrier to competition) remained widespread across the EU and the process of moving away from them remains slow. Regulated end-user electricity and gas prices were in use in 14 and 13 of the 28 EU Member States, respectively.

- Meanwhile, energy prices for industrial consumers decreased in 2014 compared to 2013. Post-tax electricity and gas prices for these consumers decreased by 0.2% and 6.0%, respectively. However, regulated electricity and gas prices for industrial consumers still existed in 11 and 10 Member States, respectively.
- In spite of an increased switching trend among electricity and gas household consumers in the EU, most still did not actively exercise their right to choose among available suppliers and offers, which in turn lowers the competitive pressure on suppliers. As a result, the proportion of electricity and gas household consumers supplied by a supplier other than the incumbent (existing supplier) was still low (on average less than 30%). The exceptions were electricity and gas consumers in Great Britain, Belgium and Portugal; electricity consumers in the Czech Republic and Germany, and gas consumers in Ireland and Spain. In Berlin and London, for example, electricity consumers could save more than 400 and 150 euros respectively by switching to the lowest offers, whilst gas consumers in the two cities could save approximately 400 and 350 euros respectively.
- Where final household prices increased the most, the price growth was driven primarily by non-energy components (i.e. network charges, taxes and levies, and value added tax) as opposed to the energy component of the bill. In all European capital cities (except those of Bulgaria, Cyprus, Great Britain, Greece, Ireland and Malta), these different types of charges make up most of the final electricity price. The non-energy components have significantly increased in the last few years, in large part to fund support schemes for renewable energy sources (RES). On average across Europe, the non-energy components made up around 60% of the total electricity bill, and almost 50% of the total gas bill.
- In countries where energy markets have been opened for some time (Germany, Great Britain, Norway, Sweden, the Netherlands, etc.), household consumers were offered a greater choice of electricity and gas products, including with regards to their features (price preservation periods, green offers, offers with additional services, dual-fuel offers). Compared to those in countries with a more recent liberalised market experience, consumers in these markets tended to switch more.

In terms of consumer rights:

- EU law establishes a series of key energy consumer rights and protection obligations. Consumer protection measures were largely implemented across Europe. Nearly all EU countries have an electricity 'supplier of last resort' (except France, Latvia and Malta), to ensure the provision of universal electricity service. In gas (where universal service is not required), only five countries did not have a supplier of last resort in place. Also, Member States implemented conditions and procedures for disconnecting consumers due to non-payment. Although data across Europe is limited, disconnection rates were generally low (between 0-2%). Member States are also obliged to define the concept of vulnerable customers; the report found that while 18 had explicit definitions, others could also (or instead) have a more implicit approach (included in national social policies etc.).
- Consumers have a right to be provided with information about their energy consumption, price changes, etc. The report found that, in many countries, information about switching was lacking on energy bills. Meanwhile, in almost all Member States, legal requirements specify that billing information based on actual consumption should be available for consumers without smart meters at least once a year; in a few Member States this is available on a monthly basis.
- Well-functioning and transparent complaints procedures are key to empowering consumers. The report shows that more than half of the complaints across Europe were related to price, contract or billing issues. Importantly, an alternative dispute settlement is available and free of charge for final household customers in 25 Member States.

- From a consumer perspective, connection, activation, maintenance and disconnection are frequently the consumer's first interaction with the energy market. The report monitored a selected number of **services provided by distribution system operators and found that the quality and timing of these distribution services could be improved** (e.g. the time to provide a price offer for a grid connection; to connect to the network and activate the energy supply to a customer; to disconnect the energy supply following a customer request; and the maximum duration of a planned supply interruption).

WHICH FINDINGS AND RECOMMENDATIONS ARE ESPECIALLY RELEVANT FOR CONSUMERS?

- **Consumers in the EU are yet fully to benefit from competition and energy market integration.** Opportunities for consumers to get a better deal by switching are available. However, switching rates remain low in most countries and the majority of electricity and gas consumers do not actively participate in the market. They are not choosing among available suppliers, neither among different prices and products on offer. This is due to a number of factors, including the existence of regulated prices, lack of awareness of switching opportunities, perceived insufficient savings, loyalty to existing suppliers, distrust of alternative offers and perceived complexity of the switching process, as well as not yet properly functioning wholesale markets.
- **National energy regulators should continue to play an active role in enforcing consumer rights** and raising awareness about switching. A combination of transparent and reliable price comparison tools, better information about roles and responsibilities of distribution and supply companies and a simple and efficient process to switch suppliers would contribute to increase switching rates.

WHY SHOULD THIS MATTER TO ME AS A CITIZEN?

- We hope that the results presented in this market monitoring report illustrate what is behind your energy bill. This can help guide you towards potential opportunities available in your country (e.g. **page 59 of the [Report](#)**) to benefit from retail competition, for instance by switching from your existing energy supplier to obtain a better deal and reduce your energy bills.

WHAT IS THE MARKET MONITORING REPORT?

- One of the tasks of the Agency for the Cooperation of Energy Regulators (ACER), established by EU law in 2009, is to **monitor and analyse developments in the EU's gas and electricity markets**. The results of this activity are presented every year in the annual Market Monitoring Report. As with the previous editions, this year's [ACER/CEER Market Monitoring Report](#) was produced jointly with the Council of European Energy Regulators (CEER) to provide as complete an analysis as possible of energy market developments in Europe. It is an independent report, based on data provided by the European Commission, National Regulatory Authorities for energy and the European Networks of Transmission System Operators (ENTSOs) for electricity and gas, as well as publicly available data collected by the Agency.
- The monitoring report **identifies those areas where additional measures (and monitoring) are needed** in order to ensure that EU electricity and gas consumers benefit from fully integrated markets.

USEFUL LINKS

Fourth ACER-CEER [Market Monitoring Report](#), 30 November 2015.
[ACER Regulation](#).

Market Monitoring Reports on earlier years can be found via this [link](#).