GEODE Comments to the European Parliament Draft Report on "Delivering a New Deal for Energy Consumers"

GEODE welcomes the Parliament's draft report on "Delivering a New Deal for Energy Consumer".

The Energy Union and the interests of citizens at its core

Para 4

GEODE supports the EP's view on the energy transition to result in a more decentralised energy system and the involvement of citizens.

However, we do think there are already and will be many tools to empower consumers in the energy market others than "empowering them to own or share the ownership of the production, distribution and storage of energy", as stated in the report. This aspect needs in our view more clarification on how this could be implemented. It has to be taking into account that energy companies are very diverse across Europe, in terms of size, activities, structure and also ownership (private, public, and a combination of both) - therefore singularities have to be taken into account and the one-size-fits-all principle is not applicable.

Europe has moved beyond the early deployment of distributed generation. The regulatory framework should therefore be adapted to ensure cost-effective development of distributed generation and grids, as well as a fair allocation of costs and benefits. Distributed generation should be integrated into the market.

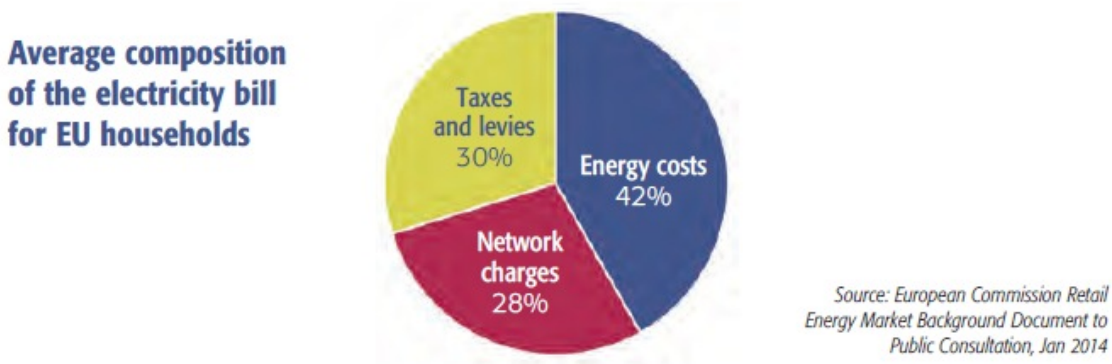
Towards a well-functioning energy market benefiting consumers

Para 5

The levels of consumer switching - GEODE would like to point out that switching rates are hardly to be considered as appropriate indicator for assessing levels of market competitiveness and customer satisfaction; e.g. those customers who have checked if to switch or not and finally decide to stay with the same supplier and/or may renegotiate their existing contract are not taken into account, as well as those who are satisfied with current supplier and do not see a need for a change. Consumers are active even though they decide not to switch. More important than measuring switching rates would be to check the possibility for consumers to be aware that they have a choice and that switching is easy if they would like to do so. Also, regulated end-user prices – which still are in place in 15 out of 29 Member States – do not incentivise customers to switch.

GEODE also would like to outline that the market situation and customers' satisfaction is very different from one country to another. There are markets in Europe giving a good example in terms of well-functioning markets and customer satisfaction (e.g. Nordic markets, Germany).

GEODE agrees that falling wholesale costs are not reflected in retail prices. However this is due to increasing fixed elements in energy bills: taxes and levies. They have been constantly increased by authorities in the past years. An average of 30% of the retail electricity bill paid by consumers in Europe relate to different taxes, levies and other governmental fees in EU.



Para 6

GEODE fully agrees that *the Commission and Member States have to ensure that the* ***Third Energy Package is fully implemented***.

6 b) ***The proposal to include comparison of offers into energy bills*** needs to be prudently examined as bills might become overloaded with information and hence too complex for the consumer to identify relevant information. We should avoid a situation where the average customer needs a consultant to understand its energy bill.

6 d) & e) ***Limited range of standardised tariffs*** *to facilitate comparison between suppliers*: GEODE considers that clarification is needed. Does the report refer to electricity or gas prices - or network tariffs? Tariffs refer commonly to network charges, which are the revenue stream for grid operators (DSOs), whereas prices relate to the energy consumed and paid by consumers to suppliers. The standardisation of tariffs is a highly unsuitable measure for a competitive electricity market. It would hamper competition and innovation significantly - which GEODE does not support.

Also, if customers are automatically placed on the best possible offer / "most advantageous tariff", it will hamper markets from developing competitive and innovative offers and will prevent customers from switching.

6 f) ***Network charges as regressive elements of the energy bill:*** GEODE disagrees that network charges are regressive. In many countries – such as the UK - they are mainly consumption based. The more customers use - the more they pay. Network charges need to be cost reflective to help encourage customers to reduce the costs they impose on the network.

Para 7

Cost-free switching: GEODE agrees there shouldn't be any costs for switching per se. However it should be outlined there might be costs for breaching agreements the breaching party pays.

Para 8

Collective switching schemes and campaigns should be promoted in order to help consumers to find a better deal*:* GEODE welcomes a competitive free market with new actors entering it. At the same time, it is important to have clear rules and a level-playing field for all actors. We recommend looking into experiences made in liberalised and competitive energy markets such as Sweden where examples of collective switching are showing that complaints filed to the Swedish Consumer Agency have been overrepresented when intermediaries have been acting on behalf of energy consumers. In 2013 for instance, the least satisfied customers were those that left their choice of supplier to an intermediary.

Democratising the energy system by helping consumers take ownership of the energy transition, produce their own energy and become energy-efficient

Para 10

GEODE supports the view expressed in the draft that ***local authorities, communities and citizens are the backbone of the energy transition*** **- but together with local energy companies** represented through GEODE as they are key players of the new energy market design. Local energy companies contribute significantly to the implementation of a decentralised energy transition when integrating customers, grids and generation in a cost efficient way, while guaranteeing security of supply at any time.

Para 11

Access to capital and investment costs for all consumers**:** GEODE would like to point out that there are important administrative barriers to accessing funding at European level (EIB, EFSI, Structural Funds) already for energy companies - not to say for consumers.

It should be noted that Para 11 and 12 are in contraction to what the report says in Para 6d); the new business models and innovative financial instruments promoted in the report are unlikely to be developed if there was a limited range of standardised tariffs.

Para 12

The development of self-generation*:* GEODE supports the view that prosumers must have incentives for being connected to the grid and therefore enabling them to share excess energy when such is available - instead of sub optimizing their own usage with an off-grid solution. In order to achieve this, the regulation must promote business models that integrate the grid with the customer and gives both parties benefits of such cooperation. The benefits created by the ability to withdraw and provide energy to the grid should be shared by the actors involved while benefiting the whole energy system.

GEODE would also like to outline that the more customers go off-grid, less of the connected ones share the rising cost of the grid. Customers switching to self-consumption still need to be connected to the grid. However, with the wrong model in place they might avoid paying for the grid while others will have to do.

However prosumers should be integrated into the market and the power system: Indirect subsidies, such as non-market-based net-metering schemes and socialising prosumers' balancing costs should be avoided, as well as other schemes preventing market integration. Also, the Commission prefers in its staff working document "Best practices on Renewable Energy Self-Consumption" (15 July 2015) self-consumption schemes over net metering schemes. Opting for distributed generation should be a customer choice that does not result from artificial incentives.

GEODE welcomes the *call for stable and sufficient remuneration schemes to guarantee investor certainty* and supports *that distribution grid tariffs and other fees should be non-discriminatory and fairly reflect the impact of the consumer on the grid, while guaranteeing sufficient funding for the maintenance and development of distribution grids.* It is very important to make sure that self-consumption doesn't put customers in unequal position when it comes to paying for their grid use.

DSOs should be remunerated for all the tasks they are assigned with when self-generation units are connected to their grids. DSOs must have their grids prepared to absorb the energy excess feed-in by prosumers and, at the same time, be able to deliver the energy that prosumers might demand. Having said so, self-generation should be only paying for the effective costs caused to the system and therefore "the introduction of unfair and punitive taxes or fees which are detrimental to the expansion fo self-generation" are to be avoided, as stated in the report.

In a small number of Member States, more cost reflective and transparent grid tariffs are currently being developed that simultaneously guarantee funding of the grids. This should be a trend in Europe. Since over 90 % of distributions costs are based on capacity available for customers, new tariff structures should be more capacity based. This doesn't mean any fixed price but a tariff structure conceived in a way for the customer to affect distribution costs with e.g. long term capacity reducing methods and/or demand response[1].

<u>**Promote the development of demand response management**</u>

Para 18

Development of smart technologies**:** Of course huge investments in smart technologies are much needed and this implies costs that have to be reflected in the network tariffs. However these costs will pay off in the long run as the energy system will increase its efficiency for the benefit of the entire society. By continuing operating our networks in the same way as we do today, costs would increase though in the long-term. How do we pay for innovation without bills rising in the short term?

Para 20

Energy-related data should be managed by neutral entities**:** GEODE supports the principle that energy-related data should be managed by neutral entities. We believe that the DSO being a neutral and regulated entity with no commercial interest in consumers' data - is best positioned to be the market facilitator (data hub) for managing and gathering grid data while providing third parties a non-discriminatory access to customer data.

GEODE supports that ownership of all data lies with the consumer and can only be transferred to third parties after explicit consent given by them.

[1] For more information, we would recommend GEODE's report on tariffs structure: http://www.geode-eu.org/uploads/GEODE%20Position%20Paper%20Tariff%20Structure.pdf

GEODE agrees that demand response will play a key role in the energy market. The key for customers' participation is a competitive retail market with market prices encouraging customers in becoming actively involved in demand response. It is nevertheless important to remember that customer driven demand side response markets are still in their infancy, particularly for residential customers. This is not so much caused by a lack of rights for consumers but by a number of other barriers which are of concern for more actors than only consumers.

Among others, main barriers identified by GEODE for demand response to take-off are:

- **Regulated prices**: 15 out of 29 MS still have regulated end-user prices for households impeding customers from realising the true value of the energy they consume
- **Taxes and levies**: taxes and levies as said and acknowledged in the report form a large part of retail prices - thus, the part of the energy bill that customers are able to influence is not enough to incentivize make consumers participate in demand response
- **Smart meters**: no demand response and actual consumption data without smart meters - which are still being rolled-out in many Member States
- **Lack of standardised home automation technology** at customers' premises and costs of additionally required technology
- **Lack of clear definition of roles and responsibilities** of market actors
- **Demand side flexibility aggregation** – aggregators should have access to balancing markets on a level playing field with other parties
- **Customer engagement** and involvement is driven primarily by their interest and intention. Therefore customers' needs and demands should constitute the basis for new products being developed. The end customer should participate on a voluntarily basis only.

Addressing the causes of energy poverty

Para 21

GEODE considers it difficult to measure energy poverty in a non-quantitative way.

Para 24

GEODE would like to outline that "poverty" and "energy poverty" should not be mixed up. GEODE is convinced that energy poverty should be dealt with through social security systems and supports wider social policies as the primary mean for addressing consumers at risk of vulnerability and those in energy poverty. Such policy should explicitly refer to energy issues and stipulate in concrete terms how policy supports consumers facing difficulty with respect to their energy supplies. GEODE does not support "socialised" solutions via the energy bill, as they distort the market.

Regulated tariffs are certainly not the best means to protect customers (and they won't take people out of energy poverty) – as acknowledged in the EC Energy Union Communication:

"Energy poverty can only be tackled applying a combination of measures, mainly in the social field and within the competence of authorities at national, regional or local level. When phasing out regulated prices, Member States need to propose a mechanism to protect vulnerable consumers, which could preferably be provided through the general welfare system. The energy sector is therefore not in the right place to solve the problem of poverty".

Para 25

Revised EED to include a provision for a significant minimum percentage of measures in energy efficiency obligation schemes targeting low-income consumers

In GEODE's view this is an issue for subsidiarity. It should be kept in mind that not all

Member States do have obligation schemes. E.g. both Finland and Sweden have opted to use alternative measures to reach the required savings (art. 7) - instead of putting obligations on utilities.

GEODE is the voice of local energy distributors across Europe - representing independent distribution companies of gas and electricity. The association represents more than 1200 companies in 15 European countries. We serve a population of 100 million people.

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