Experience on retail market opening. Lessons to learn

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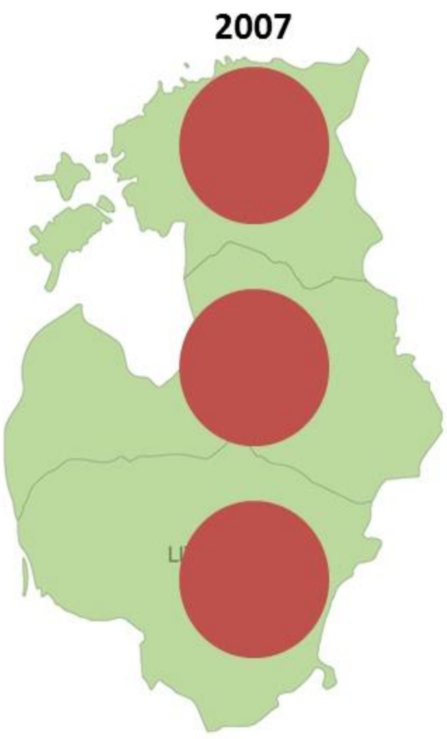
Retail market opening

Free market
Regulated market



Legal market opening in Latvia, Lithuania and partly in Estonia from 1 July 2007

Real market opening only after administrative «kicks» - end user tariff abolishment

Reasons for slow progress

Latvenergo

Regulated end-user tariffs

Complicated procedures

Unequal treatment

Communication from the commission (15 November 2012)

The Commission will continue to promote market-based price formation in retail markets, including through infringement cases against those Member States maintaining price regulation that is not meeting the conditions laid down by EU law

Gunter OETTINGER (8 April 2013)

… how can you talk of creating an internal market based on competition and at the same time fix the price of energy?

EURELECTRIC (April 2013)

Take actions against regulated end-user tariffs which hamper the development of a well-functioning market, necessary investments and the exploitation of the potential of demand response

CEER Guidelines of Good Practice (24 January 2012)

All processes and roles in the market have to be clearly defined in advance to ensure that processes run smoothly and simply from the customer`s perspective

Communication from the commission (15 November 2012)

Energy regulators and competition authorities, at EU and national level, need to act decisively to ensure that all companies in the market are treated equally and that a level playing field is established and maintained.

What have been done so far…ESTONIA

Latvenergo

Regulated end-user tariffs eliminated

Complicated market procedures

- Clients need to terminate previous contract, before the switching

Unequal treatment

- Only vertically integrated utility can provide combined billing

What have been done so far…LITHUANIA

Regulated end-user tariffs for households

- No market activity in households sector

Complicated market procedures

- Absence of predefined market procedures means a lot of manual work

Unequal treatment

- Consumption data is not free of charge for independent suppliers

What have been done so far…LATVIA

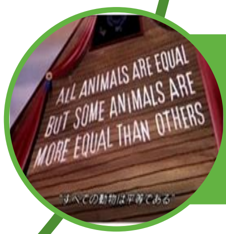
Latvenergo

Regulated end-user tariffs for households

- No market activity in households sector

Lack of predefined market procedures

- Lot of manual work



Equal treatment to all suppliers but improvements are welcomed

Lessons to learn and further steps in Latvia

Lesson	Current practice	Further steps
Regulated end user tariffs freezes the market	Regulated tariffs for households abolishment	Decision to make this year
Client involvement hamper switching	All switching procedures are done by new supplier and DSO. No need for re-confirmation	Supplier centric market model – adjustments to regulations
Households appreciate simplicity	Supplier the only contact point. Combined billing and customer support are mandatory	Supplier centric market model – adjustments to regulations
Effective MM system facilitate trade	Predefined, automatic market messages between supplier and DSO	Definition of MM structure and fields – under progress by DSO

Conclusions

- No market activities if regulated tariffs are still in place
- Switching should be allowed even if the previous contract is still valid
- Contract termination fees should be allowed – risk sharing ensures cheaper fixed price contracts
- Equal treatment to all suppliers is primarily important to customers, as it brings fair competition
- Households need simplicity – single contract, combined billing, single supplier’s customer service; that should be mandatory to all suppliers
- Predefined deregulation procedures and market messages are vital for cost effective trade to households and SME

Thank you!