Citizens' Summary
ACER-CEER Market Monitoring Report on EU Electricity and Gas Markets in 2012

"Despite low economic growth in 2012, household gas prices in the EU rose by 10% and household electricity prices by 4.6%, leading to significant economic loss for consumers", the second ACER Market Monitoring Report presented on 28 November 2013 reveals.

WHAT'S THE ISSUE?

- A main objective of the Third Energy Package, the EU energy legislation adopted in 2009, is to provide choices for consumers in selecting their electricity and gas suppliers and for them to benefit from energy prices that reflect costs and are non-discriminatory.

- One of the tasks of the Agency for the Cooperation of Energy Regulators (ACER), established as part of the Third Energy Package, 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. This year's ACER Market Monitoring Report was, for the second time, produced jointly with the Council of European Energy Regulators (CEER) to provide as complete an analysis as possible of energy market developments. It is an independent report, based on data provided by National Regulatory Authorities for energy (NRAs), the European Commission, and the European Networks of Transmission System Operators (ENTSOs) for electricity and gas, as well as data collected directly by the Agency.

- The report focuses on consumer-related developments. It also brings together different aspects of market integration, with special emphasis on wholesale gas and electricity markets and network access.

WHAT ARE THE MAIN FINDINGS OF THE REPORT?

- Despite the continuing economic downturn in 2012, consumer prices for electricity and gas have increased in the majority of EU Member States. Household gas prices rose by around 10% and household electricity prices by 4.6%, with respect to the previous year. These prices differ considerably across national markets, with no sign of convergence.

- The analysis of wholesale electricity markets shows that market coupling (merging trading activities from several power exchanges) has facilitated price convergence, and electricity trading within the same day has made renewables' integration into the market easier. However, the advantages brought about by the single market, such as lower wholesale electricity prices, still need to translate into benefits for final consumers.

- Barriers to entry persist in many national retail markets, thus hampering retail competition and consumer choice.

- Regulated prices remain a prominent feature of European retail markets in both electricity and gas, with little progress towards their removal recorded last year. In 2012, 49% of household customers in electricity and 46% in gas were still being supplied under regulated prices (18 out of 27 Member States). Regulated retail prices can disengage consumers from switching and, if set below costs, can act as a barrier to entry.

- The energy component makes up a relatively small part of the final consumer bill. Network charges, taxes and other administratively set charges, including those intended to cover the cost of renewable support schemes – which, once combined, account for up to half of the energy bill – reduce the room for retail competition, making entry into the retail market unattractive in some cases.

- Imperfect integration and retail market fragmentation throughout the EU have led to significant social welfare losses for European energy consumers, in the order of several billion euros in 2012 (gross of the cost of any required investment in new transmission or transportation infrastructure).

WHAT FINDINGS OF THIS REPORT ARE ESPECIALLY RELEVANT FOR CONSUMERS?

- The report reveals that, even where competing suppliers operate in the market and consumer switching may deliver savings, consumer inertia is present. The latter can be due to a lack of awareness, to traditional consumer loyalty or to risk aversion. Many consumers are yet to benefit from energy market integration in the EU.

- Some progress was observed in the shortening of the time it takes for consumers to switch their electricity or gas supplier. In most Member States, a three-week switching deadline already applies to electricity consumers, whereas only half of gas consumers currently benefit from this guarantee. France is a good example of shorter switching periods, as an electricity supplier switch can be finalised in 24 hours and a gas supplier switch in four days.

- Different measures to protect vulnerable consumers are applied across the EU (some of them work through the social security system and general taxation, others through specific industry rules about supply, disconnection and communication). The “no disconnection” rule is applied in several Member States.

- As regards complaints, most Member States have an alternative dispute resolution scheme in place (usually administered by or through National Regulatory Authorities) with a three-month time horizon.

WHAT RECOMMENDATIONS ARE DRAWN FOR NATIONAL REGULATORY AUTHORITIES (NRAs)?

- Consumer rights need to be enforced. NRAs should play an active role in enforcing consumer rights and raising awareness about switching by, for instance, carrying out consumer awareness campaigns (as already observed in some Member States).

WHY SHOULD THIS MATTER TO ME AS A CITIZEN?

- As a citizen, you can benefit from the results presented in the report as they show that, by becoming more aware of the opportunities available through retail competition and supplier switching, you can obtain better deals and reduce your energy bills. Consumers in the EU seem not to be taking full advantage of this opportunity, and this leads to important economic losses.

USEFUL LINKS

- **Second ACER-CEER Market Monitoring Report**
- **ACER Regulation**