



ERGEG's view on Energy Poverty & Vulnerable Customers

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- In 2000, the **Council of European Energy Regulators (CEER)** was set up by the 27 independent national regulators of the EU
- In 2003, the **European Energy Regulators' Group for Electricity & Gas (EREG)** was set up by the **European Commission (EC)** as its advisory body on EU energy market issues
- **CEER/EREG** have a similar structure and share the same board
 - monitor compliance with existing rules
 - elaborate Guidelines for good practice
 - advise the EC on legislative proposals
 - spread better regulation by cooperation
- Since 2005, the **Customer Working Group** is dedicated to customer & retail market issues
 - Well-informed, active and empowered customers
 - Protected vulnerable consumers

Treatment of financially weak (vulnerable) customers in the MS

- **The term „Vulnerable Customer“**
 - is only defined in 8 of 27 countries
 - is defined differently among the countries (financially weak, disabled, etc.)
- **Financially weak customers (vulnerable customers)**
 - are protected in almost all countries by support systems not specific to the energy sector – mainly by social allowances
 - 60% of countries have non-economic support systems such as protection against disconnection
 - 10 countries in electricity and 9 countries in gas have economic support systems within the energy sector – mainly **end-user price regulation** in supply prices for eligible customers
- **ERGEG does not comment** on the treatment of vulnerable customers which is of government responsibility (social policy) and most of the time not specifically related to the energy field



Regulating end-user prices is not a viable tool to fulfill public service obligations

- **Regulated (low) end-user prices**
 - are generally not in line with wholesale market conditions
 - result in **suboptimal wholesale and retail market competition**
 - limit the possibilities and **incentives of customers** to switch suppliers and therefore hinder competition
 - will not give reliable price signals to the customer and potentially increase demand by end-users – negative effect on EU objectives of **climate change** and security of supply



Protecting vulnerable customers is necessary in a competitive market

Protecting vulnerable customers (low income)

- should be done **by alternatives other than regulated end-user prices**
- must be in line with and support the prerequisites of open, competitive markets
- may be achieved through specially established social schemes like social aids ensuring the continuous access to energy
- is an issues of consumer protection in general
- is a **social issue rather than energy policy issue**
- is **not a regulatory issue**



Protecting vulnerable customers is possible in a competitive market

- **Building sustainable competitive markets** is crucial to improve customers' position and protect them from potential abuses of dominant positions of incumbent suppliers
- An important way of protecting customers is to have a „**default supplier**“ and/or „**supplier of last resort**“
- Economic support can be given (nearly) **without affecting the formation of market prices** by
 - Tax discrimination such as different energy taxes or VAT based on example income
 - Subsidies either proportional or lump sum
 - Social benefits
 - (all to be compatible with EU legislation)



Treatment of Vulnerable Customers according to the new legislative framework 2009/72/EG & 2009/73/EG

Member states shall

- define the **concept of vulnerable customers** which may refer to energy poverty
- protect Vulnerable Customers by **adequate safeguards**
- **prohibition the disconnection** of electricity/gas to such customers in critical times
- formulate **national energy action plans**, providing **social security benefits** to ensure the necessary electricity/gas supply to vulnerable customers
- take measures to protect final customers **in remote areas**

Thank you for your attention!

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Panel Discussion

ERGEG's opinion of what the EU should do

- The issue should not be solved within the liberalized energy market.
- Regulated end-user-prices are only the second best solution to address the issue of energy poverty because they distort competition
- (Energy) poverty should be addressed in social systems



EREG Thesis from Paul Magnette to discuss

„Liberalization of energy markets failed to lead to affordable energy for all“

Assessment of this thesis:

- „The price is right“
There is no automatism that liberalization (and the following competition) can guarantee affordable energy for all. The economic theory behind competition is that it will lead to the „right price“ for a scarce good without a surplus for the monopolist but also without subsidisation. Competition does not guarantee that the „right price“ is also affordable for every one.
- Liberalization of energy markets is a political decision against addressing energy poverty inside the energy-system
- Liberalization and competition will lead to the first-best outcome for society as a whole – energy poverty must therefore be addressed outside the liberalized market

Proposal to improve the situation:

- If energy poverty is addressed it must be addressed outside the energy system
- Money to buy energy for vulnerable customers could be drawn from the social systems.
- Regulated energy prices for vulnerable customers distort competition

BACKUP



2009/72/EG & 2009/73/EG Article 3 on vulnerable customers (I)

Member States shall take appropriate measures to protect final customers, and shall, in particular, ensure that there are

adequate safeguards to protect vulnerable customers.

In this context, each Member State shall

define the concept of vulnerable customers which may refer to energy poverty

and, inter alia,

to the prohibition of disconnection of electricity/gas to such customers in critical times.

Member States shall ensure that rights and obligations linked to vulnerable customers are applied.

In particular, they shall take measures to protect final customers in remote areas.

They shall ensure high levels of consumer protection, particularly with respect to transparency regarding contractual terms and conditions, general information and dispute settlement mechanisms. Member States shall ensure that the eligible customer is in fact able easily to switch to a new supplier. As regards at least household customers, those measures shall include those set out in Annex I.

2009/72/EG & 2009/73/EG Article 3 on vulnerable customers (II)

Member States shall take appropriate measures, such as
**formulating national energy action plans, providing
social security benefits**

to ensure the necessary electricity/gas supply to
vulnerable customers, or

**providing for support for energy efficiency
improvements, to address energy poverty where
identified, including in the broader context of poverty.**

Such measures shall not impede the effective opening of the market set out in Article 37 and market functioning and shall be notified to the Commission, where relevant, in accordance with paragraph 11 of this Article. Such notification shall not include measures taken within the general social security system.