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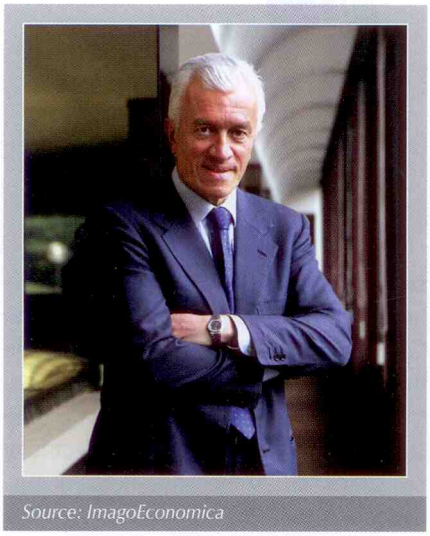
AU's Integrated Information System: more information in the energy market

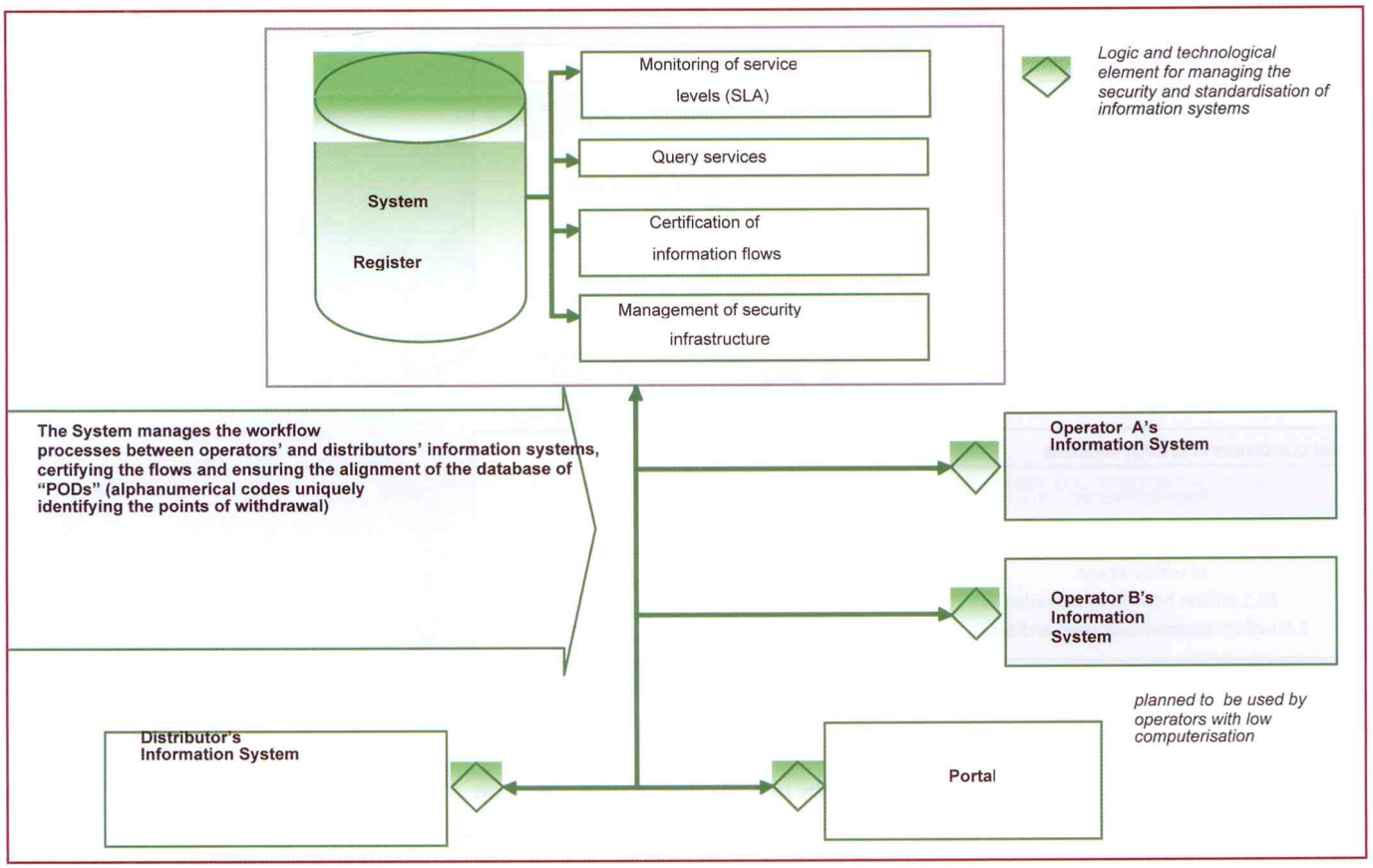


Source: ImagoEconomica

The option of choosing one's own energy supplier has been extended to households since 1 July 2007. Over 5 million customers - households and SMEs - have already migrated to the open market. This number is substantial and constantly rising, considering that electricity customers alone are more than 36 million.
However, distributors' and sellers' current information systems, designed for other purposes and with poor communication features, can hardly handle this growing volume of transactions.
It follows that the difficult interaction between distributors' and sellers' information systems has negative repercussions on the timeliness and accuracy of the supplier switching process. Delays, inaccuracies and reluctance to provide data to distributors are among the causes of the commercial inefficiencies recorded in the market in the past three years.
Fostering an effective competition requires breaking the other barriers which hinder the entry of new sellers into the market.
The development of an integrated information system will not only expand information flows, but also minimise criticalities, such as customers' default, and thus stimulate more competition in the sector.
All operators need more information to "segment" their customer base, e.g. to identify good payers, so as to optimise their commercial performance.
It is against this background that Law 129/2010 of August 2010 entrusted Acquirente Unico spa (AU) with the task of designing and operating an Integrated Information System to manage the data flows of the electricity and gas markets in Italy. This is a new and significant responsibility for AU, the publicly-owned subsidiary of the GSE spa Group. Indeed, the Integrated Information System will enhance the role of AU as a key player of the sector and as a trait-d'union between institutions, operators and the overall electricity and gas sector.

Switching process timeframes

Country	Length of the switching process	Date of effect of the switching
Austria	20 working days (4 weeks) or 30 working days (6 weeks)	1st day of the month
France	at least 21 days	1st day of the month
Romania	30 days	any day of the month
Spain	15 days (1 month for the 1st switching, owing to the obligation to install a capacity control device)	any day of the month
Sweden	from 15 days to 1 month and 15 days	1st day of the month
Norway	from 6 to 20 working days (after the distributor has taken the readout of the customer's actual withdrawal)	any day of the month
Denmark	from 1 to 2 months	1st day of the month
Finland	14 days or 30 days (if the meter is to be replaced)	1st day of the month
Italy	at least 1 month - 1 month and a half	1st day of the month



Integrated Information System: technical diagram

This emblematic task integrates and completes the other activities that AU already carries out: procurement of electricity in wholesale markets to the benefit of customers of the protected (captive) market; management of a call centre for consumers on behalf of "Autorità per l'energia elettrica e il gas" (AEEG, the electricity and gas regulator); guarantee of supply to customers in the electricity sector through the default service ("servizio di salvaguardia") and in the gas sector through suppliers of last resort ("fornitori di ultima istanza").

As part of its responsibilities of support to the proper operation and evolution of the market, AU also works to remove bottlenecks in the exchange of data between energy distributors and sellers upon the supplier switching process, as these bottlenecks dwarf the benefits that consumers may expect from competition in the final market.

In effect, competition can yield persistent benefits only if consumers can make informed choices, rewarding the efficiency of sellers. Real savings for both small and large consumers lie on the production side and not on the retailing one, since the seller's margin is 5% lower than the overall expenditure of an average customer.

Also consumers may play an active role in promoting competition on this front, by choosing their suppliers among competitive sellers. Therefore, the provision of transparent, correct and comprehensive information to all the players is crucial to attaining this target.

Moreover, in the transition from administratively-set tariffs to prices freely set in the market, the main difficulties encountered by small consumers lie not only in their limited bargaining power, but also in their access to complete information. Hence, redressing information asymmetries among the parties is necessary to further develop electricity and gas markets.

At present, most of this information is disseminated among millions of consumers through newspapers and TV ads. However, this is not sufficient to enable them to make informed and pondered choices. As a result, among the legislative and regulatory activities that the Ministry of Economic Development and AEEG have carried out to make the energy liberalisation process fully effective, the Integrated Information System will stand as a tool of paramount importance to develop the markets.

In particular, the rationale behind the law-makers' decision to introduce this powerful national energy database lies in the insufficient interaction between the key players of the electricity market (suppliers, sellers, distributors), owing at times to poor availability and usability of the data which are required for its more dynamic operation.

In practice, operators have difficulties in finding the data that they need to complete some important processes (e.g. migration applications) within the shortest possible time and the data flows often prove to be different and incompatible.

Additionally, this exchange of data takes place between competitive parties, giving rise to potential information asymmetries and to their exploitation to the expense of one of the counterparties, not only towards customers but also towards all operators.

On the other hand, consumers often complain about unclear communication

Distributors and sellers in energy markets

Electricity sector	Gas sector
131 Distributors Top 3 with 93% of the volumes (87% ENEL, 4.1% A2A and 3.4% ACEA Electrabel)	**370 Distributors** Top 20 with 78% of the volumes (e.g. 26% ENI, 10.8% ENEL)
350 Sellers Top 20 with 90% of final customers (e.g. 40% ENEL)	**Over 400 Sellers** Top 18 with about 90% of final customers (e.g. 38% ENI)

Final customers in energy markets

Electricity sector	Gas sector
36 million final customers of which/whom: 28.5 million household customers 7.5 million business customers and SMEs	**19.9 million final customers** of which: 18.5 million household customers 1.4 million business customers and SMEs

and failure to meet the set timeframes, mostly caused by system inflexibilities and process complexities.

To cope with this scenario and maximise efficiency, the Integrated Information System project will move in parallel with the evolution of the regulatory framework governing some activities of electricity and gas dispatching, transmission and retailing.

More specifically, the energy Information System will support the data, routines and processes underlying some major activities of management of final customers.

Among these activities, the currently most significant one is supplier switching.

Furthermore, to address the complexity and confidentiality of the data to be processed, the system will be based on a number of technologies which will ensure lean and fast communication flows and high security standards.

Thanks to its operational architecture, the Integrated Information System will become a vehicle to transfer many of the benefits of its activity to both consumers and energy markets.

For instance, after its take-off in 2012: i) final customers will be able to switch supplier more rapidly; ii) the quality of the data exchanged between operators will be higher; iii) litigation over supplier switching will be reduced; and iii) strong impetus will be given to market competitiveness.

Another key advantage will be the reduction of the overall costs for data collection and processing that are incurred by operators and thus by final consumers, through the centralised management of information flows. AU's responsibility for running the system will ensure, among others, impartiality in its management, thus avoiding discrimination among operators, and guarantee support to consumers.

It goes without saying that this technological platform will improve relations with operators and institutions and make them more transparent.

In effect, the energy market is a difficult one, which is sought after by all operators and where beating the competition by offering significant price advantages is complicated. An integrated information system will provide a major contribution in this direction.

As regards institutional parties, this energy data base will make it possible to monitor market behaviour and to facilitate corrective actions or initiatives to streamline the regulatory framework.

The new assignment, which adds to the core responsibilities of AU, testifies that AU is performing well and moving in the right direction.

Clearly, achieving new results implies, among others, growing and taking on additional responsibilities, especially upon the development of this complex activity. However, the results achieved so far make me confident that we will pursue also this target in the best way.

National and international experts, in continuous communication with AEEG, have contributed to the design and development of the architecture of this sophisticated digital infrastructure.

To some observers, the Integrated Information System is a very ambitious project. It is certainly a complex one. This is why consultation with stakeholders, in view of minimising the integration costs of the legacy systems, should be intensified.

The saving of resources resulting from the new and higher efficiency of the system, together with an effective competitive action, may translate into discounts on bills, targeted commercial offerings and better services to customers.

In addition to data privacy and access guarantees, one of the benefits from the introduction of the system will be the reduction of opportunistic switching by customers who have not paid one or more of their previous bills. The development and implementation of the system will take place in stages, starting from the electricity sector, and then extended to the gas one.

In conclusion, paraphrasing the slogan of a publication well known to sector operators, "energy drives information", we may say that today "information drives energy". ■