



FLORENCE SCHOOL OF REGULATION

INTERNATIONAL ENERGY REGULATION NETWORK

WORKSHOP

CONSUMER PROTECTION IN EUROPE

Refectory, Badia Fiesolana
Via dei Roccettini, 9
San Domenico di Fiesole

OVERVIEW

Florence, 16 February 2012

Competition in gas and electricity markets continues to develop. The retail market, in particular, is characterized by a large number of consumers who have switched, or who intend to switch. Consumers benefit from competition through lower prices and the increasingly innovative services being offered, in particular, to small consumers and small enterprises. Their active participation is becoming more relevant to the operation and development of the market, and the role of regulators in Consumer Protection is also more prominent and undergoing significant change in its scope. The objective of the workshop is to provide a comprehensive overview of the state of play of the consumer protection debate from different points of view.

In session I we will discuss the main findings on the behaviour of economic agents when they face decisions under uncertainty, and how the consequences of those findings affect market dynamics and regulatory institutions. Real consumers are very different from the perfect rational individual that standard economic theory postulates. This has significant implications for regulatory authorities' typical activities and for their range of enforcement strategies and legal practice. The typical energy consumer is affected by several biases that are relevant to liberalized energy markets. This session is intended to identify those biases and how the above-mentioned themes apply to consumers into the electricity market of several countries, and why this is relevant for competition policies in general. This approach is useful to understand consumers' engagement in retail energy markets. In particular, complex tariff information and poor comparability between suppliers' tariffs accentuate these biases. These features result in consumers disengaging from the market or making poor switching decisions. Low engagement in turn has a significant impact on the extent to which the current market is delivering the benefits of competition. Increasing competition between (potential) suppliers also has increased the possibilities of choice and the risks associated with open market activities. Consumer protection enforcement strategies now count on a range of different possible options (from administrative enforcement via agencies to judicial collective enforcement).



In session II the workshop aims at providing an overview of the progress made about the consumer protection practices to date, both in Europe and in neighbouring countries (SEE and MedReg membership), discussing the recent developments in this field with the institutional players involved in Consumer Protection activities (NRAs, Consumers groups, RRAs, EC, industry participants). The liberalisation of energy markets implies that consumers must be entrusted with tasks that used to belong to the public law realm. Individuals became responsible for making their switching decisions and enforcing their rights in markets where previously the “paternalistic approach” of the state or the Regulator was taking care of that for them. Empirical studies in recently liberalized markets showed a high degree of consumer inertia and indicated that many consumers are not taking advantage of beneficial switching and, in some cases, are switching to higher-cost suppliers. In this context, Regulators have to design strategies to “accompany” consumers to the retail market stage, where they will play an active role in full autonomy. Proposals for action should be designed to make it easier for consumers to identify the offer that best suits them and their needs (by, for example, setting up simpler standards for billing formats); make it easier for new suppliers to enter the market; and increase the transparency of companies’ accounting practices.

In the concluding session (III) we will discuss possible developments of consumer protection practices in the light of the development of smart technologies and smart markets. Regulators and consumers are faced with new challenges as technology rapidly evolves. In many jurisdictions NRAs have put a special emphasis on balancing Consumer Protection issues with grid modernization. Energy regulators often play an intermediary role between market mechanisms and public service objectives in the treatment of vulnerable customers, affordability (in terms of upcoming investments), privacy/customer data and consumer awareness. The interventions in this session should address the future trends in Consumer Protection regulation.

PROGRAMME

08.45 – 09.15 *Welcome coffee*

WORKSHOP OPENING

09.15 – 09.30 *Welcome address*

Stefano Bartolini | Robert Schuman Centre for Advanced Studies, European University Institute
Paolo Vigeveno | Acquirente Unico

09.30 – 09.45 *Background and Objectives*

Luigi Carbone | AEEG

SESSION I *THE BEHAVIOUR OF CONSUMERS IN LIBERALIZED AND NON-LIBERALIZED MARKETS. AN ECONOMIC AND LEGAL PERSPECTIVE*

Chair: **Jean-Michel Glachant** | European University Institute

09.45 – 09.55 *Session introduction*

Session Chairman

09.55 – 10.10 *Consumers Choice and rationality*

Catherine Waddams | University of East Anglia

10.10 – 10.40 *Role and functions of regulators – Legal and Economic perspective*

Giulio Napolitano | Università degli studi di Roma TRE
Antonio Nicita | Università degli studi di Siena

10.40 – 10.55 *European approach to unified consumer protection practices*

Hans-Wolfgang Micklitz | European University Institute

10.55 – 11.15 Discussion

11.15 – 11.30 *Coffee break*

SESSION II *REGULATORY AUTHORITIES, BEST PRACTICES AND POWERS*

Chair: **Fabiana Di Porto** | Università del Salento

11.30 – 11.40 *Session introduction*

Session Chairman

11.40 – 12.10 **Role of Regulatory Associations and Regional initiatives in European energy markets**

Patricia de Suzzoni | Council of European Energy Regulators

Rozeta Karova | Energy Community

12.10 – 12.40 **Role of regulators on customer protection**

Diversity of approaches in Europe: NRAs adopt a variety of approaches on several aspects of consumer protection (Complaint handling, switching procedures, billing and price information) and on customer empowerment. It will be useful and interesting to compare and contrast some the existing approaches and interesting case studies in Europe.

Sarah Harrison | Ofgem

Patricia de Suzzoni

12.40 – 12.55 **Role of Consumer Associations**

Richard Hall | Consumer Focus

12.55 – 13.10 General discussion

13.10 – 14.30 *Lunch break*

SESSION III **FUTURE TRENDS IN CONSUMER PROTECTION. SMART CONSUMER PROTECTION IN A SMART GRID CONTEXT**

In the development of competitive energy markets, a greater role should be played by active consumers, who are bound to become the focus of the EU energy policy (Conclusion of the Citizens Energy Forum, London 26-27 October 2011). In order to achieve this outcome, a radical technological and regulatory evolution should be envisaged in the coming years.

In this session we will explore how NRAs are coping with the needs for new legislation to facilitate the use and penetration of smart technologies (smart grids and smart meters).

In order to reap the benefits of smart grids a number of factors need to be taken into consideration. We will then explore how costs and benefits for consumers can be accounted for, conditions for effective behavioural change to occur and the technological and behavioural challenges related to domestic demand response

Finally we will analyse practical experience in developing smart metering functionalities in selected cases in the final part of this session.

Chair: **Alessandro Ortis** | Medreg

14.30 – 14.40 **Session introduction**

Session Chairman

14.40 – 15.20 **Regulatory aspects of smart technology**

Roberto Malaman | AEEG

Karen Kavanagh | Council of European Energy Regulators

15.20 – 15.50 **Implementation and development of smart technologies: challenges and opportunities**

Monika Stajnarova | BEUC

Roel Kaljee | Eurelectric

15.50 – 16.20 **Role of Industry: how industry can/should facilitate the creation of a smart consumer. Case studies and pilot projects**

Carlo Bozzoli | ENEL

Manuel Sánchez Jiménez | DG ENER

16.20 – 16.50 Discussion

Meeting closure - Wrap up discussion and general considerations

16.50 – 17.10 • Representative of the Italian Ministry of Economic Development

• **Jean-Michel Glachant** | European University Institute