

– European Consumer Consultative Group –
Contribution to the DG ENER public consultation "Towards a new
Energy Strategy for Europe 2011-2020"

"DISCLAIMER - The European Consumer Consultative Group (ECCG) is a consultative group set up by the Commission, entrusted to represent the interests of consumers at the Commission and to give opinions on issues relating to the conception and implementation of policy and action on the subject of protection and information of consumers. The opinion of the ECCG does not reflect the opinion of the Commission or one of its Services. The ECCG sub-group on Energy is an advisory body on energy and consumer issues to the ECCG ."

CONTEXT

- *The ECCG sub-group on Energy prepared an ECCG Opinion on the document submitted by DG ENER "Towards a new Energy Strategy for Europe 2011-2020"¹*
- *Following the submission by the ECCG sub-group on Energy, the members of the ECCG have adopted the Opinion stated below.*
- *The Commission chairs the meetings of the ECCG. However, the Commission does not interfere with the drafting or adoption of ECCG Opinions.*

1. Introduction

The ECCG Sub Group on Energy decided on its last meeting in Brussels on June 2010 to prepare a reply for the ECCG to the public consultation regarding the New Energy Strategy for Europe 2011-2020.

This position paper is drafted taking into account both the results of the first EU Energy Action Plan, and the problems and concerns expressed by the members of the Sub Group and the ECCG as well, regarding previous , and possible in the future to come, consumer complaints.

Consumer representatives also took under consideration the overall goal of European energy policy, which is to ensure safe, secure, sustainable and affordable energy for all.

2. Key issues for the New Energy Strategy

2.1 Implementation

As stressed in the stock taking document of the present public consultation, implementation of the internal energy market packages is very poor.

The ECCG strongly believes that Commission needs to do more than to assist Member States in implementing the measures needed to complete the internal energy market.

¹ The link to the public consultation is the following:
http://ec.europa.eu/energy/strategies/consultations/2010_07_02_energy_strategy_en.htm

Mechanisms have to be set in each Member State, with the participation of consumer and market representatives in order to monitor the implementation of the measures, but also to guide and report.

If there is a strong lack of implementation in existing measures, introducing new ones will only bring more frustration to Member States and obstacles to the well functioning of the retail and wholesale energy market.

It will also increase the mistrust of consumers to the introduction of new initiatives and measures.

The ECCG feels that Commission must not hesitate to launch infringement procedures in order to ensure compliance with the current rules.

2.1.1 Role of regulators

Effective use by national regulatory authorities of the powers assigned to them is also key for the good operation of retail markets. In this respect, the relationship between national regulators and competition authorities should be clarified so that it is made clear what in fact constitutes a “relevant case” for referral to a competition authority and what criteria should trigger this referral. Framing the relationship between the two authorities so that a referral is not deemed to show a weakness in the regulator will determine the effectiveness of these market protection provisions.

2.1.2 Citizens' Energy Forum

The Citizens' Energy Forum in London has an important role to play in the implementation discussion for electricity and gas. The London Forum can be the basis for a joint action in which stakeholders are involved aiming at exchanging information on the implementation of EU legislation.

2.2 Information

The ECCG underlines that **correct, clear, concise** and **comparable** information is an **essential precondition** for consumers to:

- a) take an active role towards meeting Europe's 20-20-20 targets and
- b) participate in competitive energy markets.

2.2.1 Consumer-centred information

When designing new technologies, a consumer-centred approach is necessary. Examples of such an approach are a) the inclusion of displays to give consumers feed-back on their energy consumption when installing smart metering and b) including privacy by design when implementing ICT in the current electricity grids. Moreover, this information has to be meaningful for consumers. It has to come in real time and demonstrate costs/savings, i.e. it has to be presented in Euro and not in kWh.

Consumers must have free access to their own historical consumption information in a common format that allows them to make like for like comparisons to find the best deal for

them. This is particularly important following the introduction of smart meters and smart grids which will facilitate the introduction of new and potentially complex tariffs.

2.2.2 Advice for consumers

To promote the take up of energy efficiency and micro-generation (and related products and services), the regulatory framework must assure the provision of high quality advice to help consumers invest wisely in the most appropriate products for their needs. This advice should be government certified and preferably come from government bodies or others that can demonstrate a not-for-profit character.

2.2.3 Information campaigns

So far, Member States have planned several good examples of information campaigns around energy efficiency and energy efficiency measures. At the same time, it remains unclear to what extent Member states are really committed to these plans since robust indicators to measure the performance are lacking.

Within the context of the New Framework for energy efficiency policies, an online and open guide with good practices on energy efficiency and saving must be included.

As far as information on the liberalisation of electricity and gas markets is concerned, a review of ERGEG in 2008 stated that consumers have no clear picture of the different market players and responsibilities. Information (in one way or another) was available, but there was no general obligation on DSO's or energy providers to inform consumers.

The situation is exacerbated by unfair commercial practices, where consumers are misinformed by energy suppliers.

The Commission's help and guidance to Member States will have to include instructions and good practices on consumer information. The Commission should also act in a determined manner to ban unfair commercial practices. Here, a large role must be given to Consumer Organisations.

Finally - particularly with regard to energy efficiency - many stakeholders have emphasized the need to promote behavioural change amongst consumers. This goal cannot be achieved merely through the provision of information (including education and awareness raising actions).

Activities to get consumers to consume in a sustainable manner must be carefully coordinated with strategies to improve:

- (Product and service) Design
- Support (e.g. reliable advice and financial support) and
- Control (through effective policies and regulations).

Moreover, it must be acknowledged that it is not possible to engage all audiences on the same level: consideration must be given on how best to segment and approach the respective consumer groups.

2.3 Smart metering and smart grids

Smart metering has the potential to play a role in the achievement of EU 2020 targets. But, consumer needs, expectations and acceptance have so far been neglected in our view.

We ask for the following key elements to be taken into account when discussing smart energy systems and smart metering.

It must be ensured that consumers fully benefit from smart energy systems and smart metering. This is can be achieved, by:

- Fairly evaluating the costs and benefits of the systems without over-promising the final outcome. Smart metering must have no cost for consumers as asserted in the 1st Citizens Energy Forum conclusions;
- Conducting a comprehensive review of the existing safeguards in place to protect consumers, in order to ensure that these are maintained;
- Paying attention to the potential risks of the new technologies, especially for consumers in vulnerable circumstances;
- Managing the impact on tariffs. There is a potential that the new technology could give rise to a wide range of complex new tariffs and contracts, potentially hindering switching. This would seriously undermine consumer acceptance of smart meters/grids;
- Developing a strategy to realize the consumer benefits, such as bill reductions, carbon savings and social benefits (e.g promotion of telecare services which can help elderly consumers live independently);
- In order to increase consumer acceptance, the costs of the roll out of smart metering should be borne by the suppliers and network companies who benefit most from the roll-out. Furthermore, there should be no punitive sanctions for those consumers who reject smart metering;
- A co-ordinated communication and social marketing strategy is required, not solely focused on persuading consumers to accept the technology, but also to promote actions to genuinely deliver the benefits of smart metering and help consumers act on the information shown on their displays to change their behaviour and reduce bills.
- Implementing privacy by design, to ensure privacy is built into the smart energy systems, and implementing the principle of data minimisation; ensuring the safe disposal of data and the limitation of data retention;
- Empowering consumers by involving and informing them:
 - a) ensuring that the regulatory environment allows for innovation in the energy systems, especially towards saving energy, be it through better information or energy efficiency services and products;

- b) smart metering should include certain minimum criteria and applications, such as displays to inform consumers. We are sceptical about demand response and time-of-use tariffs and about their applicability at residential level, even with electro-mobility at a large scale. Furthermore, some consumers might simply not be able to adapt their house and/or appliances in order to benefit from smart energy systems.

In general, these systems provide an opportunity to ensure better security of supply and new communication services, but regulatory measures, vested interest or legal obligations might make it difficult for consumers to be empowered and drive these changes;

- Guaranteeing a fair system of grid tariffs and easy to use technology for those consumers who are also active in self-generating energy. Furthermore, safe export of consumer generated green energy at a fair price ought to be ensured;
- Facilitating electro-mobility for interested consumers, while being clear on the overall environmental impact of the smart energy systems;
- Finally, implementing open standards and guaranteeing interoperability. Such standards should guarantee minimised consumer risks (e.g. in relation to remote switching or disconnection) and maximised benefits for all consumers.

One of the difficulties we are confronted with, is the limited financial resources to engage in this forward thinking. We would ask the Commission to consider mechanisms to support 3rd party advice.

2.3.1 Recommendations by the ECG:

While we agree with the Commission that a more integrated and smarter grid is needed, we would like to suggest the following inclusions in the stock taking document on a number of issues:

- It is necessary to secure consumer acceptance of the integrated grids by ensuring a fair cost benefit analysis, implementation of privacy by design principles and information towards consumers. This is an essential element in this discussion.
- The Commission should also take action so that the costs of the smart metering are borne by those benefiting from the technology, while at the same time ensuring consumers can still choose not to have the smart metering. This will ensure consumer acceptance;
- As regards consumer protection and the part on innovation, the document should also include a reference to the need to create a well-functioning market for energy efficiency services, through instruments like white certificates or subsidy programs;
- Any discussion on consumer protection, certainly in the stock taking document but in general terms too, must clearly signal the long term goal of ensuring that time of use tariffs cannot be detrimental for end users;

- As regards long-term issues for the integration of smart grids, the document must also include a reference to the need to change grids tariffs to ensure that consumers who consume energy as well as produce energy are not disadvantaged;
- Finally, regarding long term consumer protection objectives the need to ensure that financial mechanisms are available, so that less well-resourced stakeholders can be financed for advice and research must be added.

2.4 Energy efficiency and saving

In the past, the EU had a very powerful instrument in place which successfully transformed the market of energy-using household appliances towards more energy efficient products. Based on the well known A-G Energy Label, consumers were enabled to choose the most energy efficient refrigerators, washing machines, dishwashers and other energy-using products. If the new label turns out to be less informative, it has to be changed.

Consumer organisations support the Ecodesign process as it is a crucial tool to avoid unwanted energy losses and to improve the environmental performance of products and call on the commission to extend the scope.

Special care must be taken so that consumers will not be faced with big initial costs concerning their houses energy efficiency, otherwise targets will not be met. Recognition must be made of the high and dissuasive costs of retrofitting existing housing stock. Funding initiatives, to address this, must be created for all consumers, including those: a) on low income b) in rented accommodation or b) in hard to treat homes. The tool box of measures to address these challenges should include grants available particularly for low income consumers and those in hard to treat homes.

For private households, affording energy efficient appliances or investing into the improvement of the energy efficiency can be a major problem. Fiscal policies should therefore continue to be developed and coordinated at the EU level. Such policies could take the form of ecological tax reform, such as tax differentiation (e.g. reduced VAT for the most energy efficient products and services), enhanced use of fiscal incentives (e.g. tax rebates for consumers buying products labelled as the most energy efficient goods or if consumers insulate their homes) or more easily accessible financing schemes and subsidies for energy efficiency investments of private households. In a review of the OECD on household behaviour and residential energy demand, energy taxes and energy efficiency standards are recommended as policy instruments.

In addition to the above, **government or industry backed energy efficiency initiatives need to be transparent (including financial transparency) and focus on delivering value for money for citizens.**

2.4.1 District heating

Another thing that the Commission must take under consideration is that in a lot of Member States, millions of consumers use district heating. In most of these countries consumers are priced not according to their spending, but according to the size of their apartments or houses.

This is unfair to consumers who save heating and also make efforts to have heat efficient apartments or houses. It is also an obstacle for meeting the targets of energy efficiency and saving.

- a) Hence, the ECCG proposes that: Each State should provide their citizens with specific incentives to change both their old boilers with more efficient ones (saving 20-30% of energy) and their metering system, thanks to innovative technologies (e.g. “heat meters”) allowing consumers to pay only for the energy actually spent;
- b) As regards the construction of new buildings, specific rules on the use of heat meters should be introduced, making it compulsory to install either a centralised boiler for several buildings or single boilers for each apartment.

2.5 Green Energy

For consumer organisations, the increase of energy from renewable sources is a *sine qua non*.

Nevertheless, it is important that consumers are not misled when choosing for these offers, which are marketed as “green”.

Consumers should receive information about their supplier’s, as well as their own contribution to the effort to increase the percentage of electricity produced from renewable sources.

In addition to that, consumers should be informed of the additional positive environmental effect which would result from their decision to opt for one commercial green offer over another offer, i.e. the additional effect of the offer.

As a means to increase the transparency of offers, consumer organisations call for the term “green” to be restricted to offers that demonstrate an additional impact on the production of electricity from renewable sources.

For example, for consumer organisations, Wind, Solar, small hydro, and geothermal are green energy sources, but nuclear is just clean of CO2 emissions.

However, we suggest that EU should ensure that Member States that opt to include nuclear in their energy mix, place consumer safety at the heart of their decision making process and take under serious consideration the opinion of consumers and their representatives.

3. Conclusions

Consumer organisations are ready to help the Commission and the Member States in building a new European energy strategy.

To do so, it must be clear that the measures that have to be taken start from the needs of consumers. This will help building a better economic, social and ecological environment.