European Commission

SECOND CONSUMER MARKET STUDY ON THE FUNCTIONING OF THE RETAIL ELECTRICITY MARKETS FOR CONSUMERS IN THE EU

Executive Summary

September 2016

Objectives, scope and main tasks

In July 2014, Ipsos, London Economics and Deloitte were commissioned to conduct the 2nd consumer market study on the functioning of retail electricity markets for consumers in the European Union (EU). This study is the follow up to the 1st market study, published by the European Commission in November 2010.[1] The objectives of this 2nd study are to investigate if a well-functioning electricity market is in place for consumers in the EU and assess how the performance of retail electricity markets for consumers has developed since the 1st market study. The study also examines the extent to which consumers make informed and empowered choices and what motivates their behaviour in electricity markets.

Several tasks were carried out between July 2014 and December 2015:

- a regulatory review that consisted of checking on the presence and scope of EU consumer energy rights across the EU28, Norway and Iceland;
- a consumer survey that focussed on consumer awareness, attitudes and expectations, consumer mobility, consumer engagement, choice, affordability, consumer perceptions on quality of service, consumer attitudes towards energy efficiency, problems experienced by consumers and complaint behaviour;
- a behavioural experiment that consisted of a "stay or switch" experiment which tested whether consumers are able to select the best deal available (i.e. the deal that is the cheapest for the respondent's consumption profile) and a comprehension test of bills and marketing material;
- a mystery shopping exercise that focussed on the availability and quality of information and assistance provided to consumers, and attempted to replicate consumers' experiences in four areas: "questions about billing", "finding a cheaper tariff", "information about switching and complaint handling" and "information about green tariffs and energy efficiency";
- a price collection exercise with an objective to compile and analyse a comprehensive and representative sample of electricity prices offered to consumers, by collecting detailed tariff information for three different consumption levels and for different contract types;
- consultations with national stakeholders, i.e. energy regulators, consumer associations, Alternative Dispute Resolution (ADR) entities active in the retail energy sector, electricity industry associations, enforcement bodies and company mediators.

[1] European Commission (2010). The functioning of the retail electricity markets for consumers in the European Union. http://ec.europa.eu/consumers/archive/consumer_research/market_studies/docs/retail_electricity_full_study_en.pdf

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Justice and Consumers

1) General consumer attitudes

This first section summarises the study's findings with respect to consumers' perceptions about electricity market conditions and their trust in electricity companies. Although many consumers express doubts whether market conditions are improving, trust in electricity companies remains at a high level in many countries. At the same time, consumers who feel better informed tend to show higher levels of trust.

Consumer perceptions of electricity market conditions. Across the EU28, 58% of consumers surveyed "strongly agreed" or "agreed" that the retail electricity market in their country was not functioning very well. In Bulgaria, 51% of consumers "strongly agreed" with this statement; in Latvia, Greece and Romania, roughly a third of consumers expressed strong doubts about the well-functioning of the electricity market.

19% of consumers "strongly agreed" that electricity market conditions in their country were improving. A large variation was observed across countries: in Malta, 52% of consumers "strongly agreed" that market conditions were improving; in Bulgaria, just 7% expressed this view. Consumers who were in arrears with electricity bills were more likely to indicate that there was room for improvement with regards to the functioning of the electricity market in their country.

Trust in electricity companies. 40% of consumers surveyed "strongly agreed" when asked whether they trusted their electricity company to respect the rules and regulations set up to protect consumers; this figure varied between 15% in Bulgaria and 68% in Finland. Among consumers who had not tried to switch electricity company, 42% stated that they were satisfied with their current electricity company; 12% had not switched because they distrusted other electricity companies. This study found that the proportion "strongly agreeing" that they trust their electricity company to respect rules and regulations is four times higher (84% vs. 22%) among respondents who "strongly agreed" that their electricity company provides them with information on various topics than among respondents who "disagreed". In 2010, trust in electricity companies was particularly low in Bulgaria and Malta; while Bulgaria is still found at the bottom of the country ranking, Malta now scores better.

2) Consumer awareness

The study also measured consumers' awareness of various aspects of their electricity usage. Few consumers declare not knowing how much they pay for electricity; however, more admit not knowing how much electricity they consume or how the price of electricity is calculated. Although consumers' awareness of the right to switch is high across most countries, many consumers are not yet aware that switching should be possible in a timeframe of three weeks.

Electricity use and tariff characteristics. When consumers were asked whether they felt informed about their household's electricity use, 52% "strongly agreed" that they knew how much they paid for electricity. Significantly fewer consumers "strongly agreed" that they knew how much electricity they used (34%), the main characteristics of their tariff (32%), how the price of electricity was calculated (26%) or how the electricity they used was produced (24%).

Contract terms and conditions. 57% of consumers surveyed declared they have read the terms and conditions of the contract with their electricity company, but only 46% reported knowing the advance period in case they wanted to terminate their current contract.

Switching provisions. 68% of consumers surveyed[2] thought they were free to choose any electricity company from those offering services in their area; however, just 35% were aware that the switch should be completed within three weeks. Bulgaria, Lithuania, Greece, Luxembourg and Iceland had the lowest proportions of consumers who replied they have the right to switch electricity company. Consumers were also asked whether you could be charged for the switch: 45% answered that such charges were not allowed.

Measures aimed at protecting consumers in arrears. Only 24% of consumers surveyed answered that they were aware of policy measures aimed at protecting people who have difficulties with paying their energy bills. Consumers who had the most difficulties in paying their electricity bills appeared to be the least likely to be aware of these policy measures (17% compared to 22%-25% across other groups).

Recommendation 1 on raising awareness about protective measures for the energy poor

Full information on policy measures aimed at protecting people who have difficulties with paying their energy bills should be easily accessible. This could be ensured, for example, through the single point of contact (SPOC). Furthermore, information provision to increase levels of awareness should be specifically targeted at energy poor consumers who are more difficult to reach through conventional means of communication (e.g. due to lack of internet access).

[2] Across the EU28, without Cyprus, Latvia and Malta.

3) Information provision

This study evaluated electricity companies' information provision on cheaper tariffs, billing and payment methods, efficient energy consumption and complaint procedures; the conclusions of this evaluation are presented in the next paragraphs.

Cheaper tariffs. 29% of consumers surveyed "disagreed" that their electricity company proposed to them a cheaper tariff or a tariff that was more in line with their preferences or consumption level when they asked the question, while 25% "strongly agreed" and 36% "agreed" with the statement. Germany was characterised by the highest proportion of "strongly agree" responses (44%) and Bulgaria by the lowest proportion (6%). Although Latvia was one of the worst-performing countries in 2010, the country now scores better with 28% of consumers who "strongly agreed" that their electricity company proposed to them a cheaper tariff or a tariff that was more in line with their preferences or consumption level.

Billing and payment methods. The proportion of mystery shoppers (in 10 countries) who disagreed that their electricity bills were easy to understand amounted to 41%. Items that were found to be especially difficult to understand included: how the billing amount was calculated, the switching code or meter identification, the contact details of the national energy regulator and grid operator, and information about the fuel mix.

Advice on how to reduce energy consumption. 35% of surveyed consumers "disagreed" and 58% "strongly agreed" or "agreed" that their electricity company provided them with advice on how to reduce their energy consumption; the level of disagreement varied between 21% in the Netherlands and 73% in Bulgaria. The mystery shoppers' analysis of their electricity bills (in 10 countries) revealed that just 26% of electricity bills contained tips on saving energy.

Among electricity companies in the 10 mystery shopping countries, those in the Czech Republic, Italy, Lithuania and Poland scored worst in terms of providing information on energy efficiency related topics on their websites. While 40% of shoppers in the UK had found information about **smart energy tools** on the electricity company's website; this proportion was 2% in the Czech Republic, 7% in Italy, 8% in Poland and 12% in Lithuania. In Sweden and the UK, somewhat more than a third of mystery shoppers had found **a tool to compare their energy use** to others' energy use or average energy use; in Italy and Lithuania, on the other hand, less than a tenth of shoppers reported that such a tool was available.

Recommendation 2 on increasing awareness about energy-efficient behaviour

Energy efficiency is a central objective of the Energy Union's strategy and it is an effective way to cut emissions, bring savings to consumers, and reduce the EU's fossil fuel import dependency. **Electricity companies can contribute to this objective by providing better information to consumers**. At the time of the study, many electricity companies were falling short in providing information on how to reduce energy consumption and providing consumers with tools to monitor and compare their energy use.

Complaint procedures. Few consumers "strongly agreed" that their electricity company informed them about how to file a complaint or about alternative dispute resolution entities (this proportion ranged from 8% in Luxembourg to 31% in Romania). When mystery shoppers (in 10 countries) contacted electricity companies' customer services, 35% had not received complete and correct information about the complaint handling process. One in two mystery shoppers received the contact details of the national energy regulatory authority and 42% received contact details of an ADR body. A large variation was observed across countries: 80% of mystery shoppers in the UK had received complete and correct information about the complaint handling process, compared to 36% of shoppers in Lithuania.

A large variation was also observed in mystery shoppers' evaluations of electricity companies' websites: while 88% of shoppers in the UK had found information about how to file a complaint on the website, this figure decreased to 26% in Poland. 27% of mystery shoppers reported that a complaint could be submitted on the electricity company's website, 22% found a link to the national body in charge of energy regulation and 19% a link to an ADR body or found information on how to contact an ADR body.

Recommendation 3 on raising awareness on complaint procedures

There is a large variation across Member States in information provision on complaint handling by electricity companies. **In order to help consumers who have a complaint, more detailed information about complaint handling procedures should be provided by electricity companies – on their websites, on electricity bills etc.**

4) Quality of service and assistance

40% of consumers surveyed "strongly agreed" that their electricity company offered overall a high quality service; this figure varied between 20% in Bulgaria and 64% in Cyprus. Among consumers who had contacted their electricity company in the past 12 months, 45% replied that the assistance and information they had received fully lived up to what they had wanted. In Bulgaria 21% of consumers (who had contacted their electricity company) indicated that the assistance had fully lived up to what they had wanted. In most countries, more than a third of consumers would "strongly recommend" their electricity company to friends or family.

Recommendation 4 on quality of service and assistance

There is scope for **improving the quality of service and customer service relations**. Some countries have nevertheless seen an improvement compared to 2010, such as Malta.

5) Choice and comparability

This section summarises how much choice consumers have in terms of the number of electricity companies and number of tariffs available to them. In a small number of countries, consumers appear to be satisfied with the choice they have. As regards comparability, some common marketing methods, such as presenting upfront information in the offer in a non-standardised way, may affect consumers' ability to correctly assess the key features of an offer and to make the best choice according to their consumption profiles.

Choice of electricity companies and tariffs. 36% of consumers surveyed "strongly agreed" that they could choose from a sufficient number of electricity companies; 18% "disagreed" that this was the case. The proportion "strongly agreeing" varied between 7% in Bulgaria and 55% in Germany and the Netherlands. The proportion of "strongly agree" responses was higher in countries with high market maturity as opposed to countries with less mature electricity markets (33% in "high", 22% in "medium" and 24% in "low" market maturity countries).

When asked whether their electricity company offered a sufficient number of tariffs (such as green tariffs, night/day tariffs etc.), 27% of consumers "strongly agreed" that this was the case, and 17% "disagreed". In Germany and Estonia, 42% of consumers "strongly agreed"; in Spain, however, this figure was just 13%.

On average across countries, there has been an increase in the share of unique price tariffs from 62%, in 2010 to 71% in 2015. The data collected through the price collection exercise indicates that consumers now have less choice in terms of off/on-peak tariffs; this means that for those consumers who are able to adjust their electricity consumption between on and off peak periods, fewer tariffs are available that suit their needs.

"Green" tariffs (tariffs for which 100% of electricity production is from renewable sources) were found on offer in 16 EU Member States, and in some of these countries, these tariffs make up a large proportion of the entire range of tariffs on offer. In a number of countries, however, no green tariffs were offered, even though many consumers surveyed were willing to cut down their energy consumption for environmental reasons, and consumers in the behavioural experiment were willing to pay a premium for green tariffs.

Recommendation 5 on increasing choice in terms of tariffs

In many Member States, consumers are not satisfied with the choice of electricity companies and the choice of tariffs. In some Member States, the market may not be providing sufficient choice in terms of renewable energy alternatives. **The choice of electricity services (products) available to consumers should be improved by offering, for example, a wider range of tariffs such as green tariffs.**

Also, some tariffs types do not encourage consumers to consider whether their behaviour is energy-efficient or how they could reduce their energy consumption. **Peak/off-peak tariffs are one way to do this, and could thus be encouraged. Consumers need advice on which type of tariff is the most suitable for them.**

Comparability of offers and tariffs. The behavioural experiment tested how common marketing methods, such as presenting upfront information in the offer in a non-standardised way and placing information relevant to assessing the overall cost behind a "pop-up" button, impact consumers' ability to correctly understand an offer. The "stay or switch" experiment was designed to test if the pricing structure used in alternative offers impacts switching behaviour.

Presenting upfront information in the offer in a non-standardised way: 67% of respondents in the behavioural experiment correctly identified the cheapest offer when the marketing material was non-standardised, compared to 79% when the material was standardised. **Standardising the presentation of information** so that details of the offer are placed in the same position across different offers helps consumers to compare offers and to identify which offer is cheapest.

Presenting important information for assessing the total cost of an offer behind a "pop-up": 42% of respondents in the behavioural experiment correctly answered the comprehension question when information was dripped in a "pop-up", compared to 71% when the information was not dripped. The observations from the experiment indicate that all information that is required to assess the total cost of electricity offers should be clearly **shown upfront and not dripped in a "pop-up".** This is also a legal requirement under EU consumer and marketing law.

Complicated price structure: respondents in the "stay or switch" behavioural experiment were less likely to choose the cheapest deal if the price structure was more complicated: 66% **chose the cheapest deal when the price structure had just two components** (a unit price per kWh and a standing charge per day), compared to 59% when the price structure had three components (one unit price for the first batch of energy, another unit price for additional energy and a standing charge per day).

Consumers' experiences with comparing offers. When asked whether consumers had compared tariffs, 49% admitted not having compared tariffs from their own electricity company and 41% said the same about tariffs from different electricity companies. Consumers find comparing tariffs from their own electricity company easier than comparing offers of different companies: 24% thought it was difficult to compare tariffs of their current electricity company, compared to 35% who thought that comparing tariffs from different electricity companies was difficult.

Recommendation 6 on comparability of offers and tariffs

Although the opportunity to switch between offers/tariffs and benefit from lower prices exists in many countries, consumers who do not actively search the market for better offers will not reap the benefits of lower prices. Consumers may not be aware that they can switch or that there is a choice of tariff or electricity company.

Member States should thus **improve the switching environment by increasing awareness about the switching process, and by fostering practices which will encourage and make it easier for consumers to compare offers and switch tariffs**. For example, standardising the presentation of information, and presenting information that is required to assess the total cost of offers up front, could help consumers to compare offers and to identify which offer is the cheapest. Under EU consumer and marketing law, all information that is required to assess the total cost of offers should be indicated up front.

In addition, tools that assist consumers to better understand the pricing structure of their electricity tariffs, and how much electricity they use, should be considered. For example, **the development of awareness tools or behavioural prompts, such as personal projections that provide consumers with a simulation of their expected costs, could help in this respect by displaying elements such as energy costs, fixed costs, and taxes and levies.**

At the same time, **information campaigns could increase consumers' awareness of their switching rights and the gains that could be available to them if they switched; these can be organised by the electricity companies themselves or by other bodies.**

Comparison tools. In the consumer survey, 64% of respondents who had compared tariffs of different electricity companies said they had used comparison tools to do so, compared to 38% who had visited the websites of electricity companies and 8% who had contacted electricity companies by phone. Regardless of the method used by consumers to compare tariffs, a similar proportion of consumers "strongly agreed" that it was easy to compare tariffs from different electricity companies (33% for online comparison tools, 31% for phone contacts with electricity companies and 29% for visiting websites of electricity companies).

Mystery shoppers searched for cheaper offers by visiting electricity companies' websites or by contacting them by phone; all mystery shoppers also searched for alternative offers via one or more comparison tools (the exception being Lithuania where none of the mystery shoppers had found a comparison tool). One in two mystery shoppers who had found a cheaper offer via a comparison tool *completely agreed* or *agreed* that it was easy to find a cheaper tariff; mystery shoppers who had found the cheapest tariff by contacting electricity companies by phone or by visiting their websites, however, were less likely to agree that it had been easy to find a cheaper tariff (24% *completely agreed* or *agreed*).

Recommendation 7 on comparison tools

Although energy comparison tools have become an important tool for consumers to compare tariffs of different electricity companies, this study also identified some issues – for example, estimating potential savings appears to be difficult with many comparison tools. The Commission should work with national regulatory authorities to **develop transparency and reliability criteria for energy comparison tools[3] and to ensure that consumers have access to at least one independently verified comparison tool** to assess their current contract against all offers available on the market. This should increase consumer trust, and facilitate comparison and switching.

6) Switching

Switching is an important consumer activity which enables consumers to benefit from better deals on offer from alternative electricity companies or to obtain a better deal from their current electricity company. Most EU Member States have implemented the provisions of the Electricity Directive that give consumers the right to switch electricity companies within a three-week period and without extra charges. In countries, such as Hungary, Romania and Greece, however, the actual switching rates remain very low. Moreover, this study identified various barriers to switching; these barriers are discussed in this section.

Switching provisions. All EU Member States, with the exception of Croatia, have implemented legislation to give consumers the right to switch electricity companies. Furthermore, a majority of Member States have specified a time limit of three weeks for the switching process, in line with the EU Directive. However, when mystery shoppers (in 10 countries) asked about the duration of the switching process, at least 3 in 10 shoppers in Slovenia (30%), Poland (36%), the Czech Republic (42%) and Italy (47%) were informed that the change would take more than three weeks.

Switching rates. Across the EU28, 24% of consumers surveyed had switched electricity company and/or tariff while staying with their current company. This figure is higher than the one observed in the 2010 study, when the provider and tariff switching rate was 17%. Although caution should be exercised when comparing the results of the two studies (in 2009, respondents were asked whether they had switched in the past two years, while in the current study, the timeframe used was three years).

In the UK, the Netherlands and Ireland, 28% of consumers had switched electricity company in the past three years. In Iceland, Bulgaria, Luxembourg, Lithuania, Hungary, Romania and Greece, the switching rate remains negligible (between 0.2% and 2%). The proportion of consumers who had switched tariff while staying with their current electricity company in the past three years ranged from 1% in Bulgaria to 28% in the UK.

Drivers of switching. A majority (61%) of consumers who had tried to switch electricity company said this was because they had found a better deal. All other reasons listed in the survey were each time selected by a minority of consumers: for example, 13% reported that they had been contacted by another electricity company, 6% had received recommendations from family or friends, and 7% was looking for a more environmentally friendly electricity company. A small group of consumers surveyed had tried to switch electricity company because they were dissatisfied with their previous electricity company: 8% referred to a poor customer service, 8% to problems linked to billing and 2% to interruptions in electricity supply.

Barriers to switching

Status quo bias. The behavioural experiment identified that there is a tendency for consumers to remain with their current electricity contract even when there were better deals available in the experiment. The consumer survey found that just 24% of respondents thought they were currently on the cheapest tariff (given their usage and preferences), while 41% did not know whether they were on the cheapest tariff or not. This "status quo" behavioural bias can arise because people prefer the familiar, they weigh potential losses more than (equivalent) potential gains and they compare alternatives using their current situation as the reference point.

Difficulties to compare offers and tariffs. 14% of consumers surveyed indicated as a reason for not switching the difficulty in comparing offers of different electricity companies; this figure varied between 5% in Lithuania and 25% in Denmark.

Difficulties to estimate potential savings. In eight of the 10 mystery shopping countries, more than 40% of shoppers *completely agreed* or *agreed* that it was easy to find a cheaper tariff; this figure varied between 43% in Poland and Italy to 75% in Germany. However, when asked to estimate the savings on an annual basis from switching to the cheapest tariff, 25% answered that they were not able to estimate the savings (even when using comparison tools) – in other words, they experienced difficulties to assess the benefits related to the choice of tariffs on offer.

[3] The criteria could be adapted to the energy sector and it could be complementary to the criteria for the application of the Unfair Commercial Practices Directive (UCPD) provided in the Commission's Guidance on the UCPD and the key principles developed by the Multi-Stakeholder Group on Comparison Tools.

Perceptions about the switching process. When asked about the reasons for not switching electricity company, 16% of consumers answered that the savings would not justify the trouble linked to changing electricity companies, 12% mentioned that switching would be too complicated and 4% referred to the length of the switching process. Although perceptions that switching would be complicated were rather common, for the majority of consumers surveyed, who had actually switched electricity company in the past three years, the switching process had been easy: 12% answered that changing electricity company had been easy, compared to 2% who stated the opposite.

Collective switching. 18% of consumers who had switched electricity company in the past three years had switched as part of a collective switching campaign. In Portugal, 58% of consumers who had switched electricity company had done so via a collective switching campaign. Other countries with relatively high rates of collective switching were Belgium, Spain and Italy. Consumers who had switched via a collective switching campaign were somewhat more likely to state that the switching process had been difficult (18% vs. 14% of consumers who had switched, but not via a collective switching campaign).

Recommendation 8 on switching

Switching electricity companies needs to be technically easy, reliable and quick; the study found that, in many instances, switching is not a quick process and takes more than three weeks (i.e. the time limit set out in the Electricity Directive). **National regulatory authorities should be encouraged to ensure switching times are shortened to comply with EU legislation as a minimum, and to make the switching time even shorter when possible.**

This study showed that consumers' perceptions about the complexity of the switching process and actual switching experiences do not necessarily match; however, there are possibilities to make the switching process easier and thus to improve consumers' perceptions. For example, by encouraging exchange of best practices as regards **collective switching campaigns**. For collective switching to be an impactful tool to lower energy costs for consumers, appropriate safeguards that build trust with consumers and other important stakeholders (such as electricity companies, local authorities, consumer associations and national regulators) are a must.

7) Billing

This study evaluated the content of electricity bills, whether the content of electricity bills is presented in an understandable way, and through a behavioural experiment tested what can help to increase consumers' understanding of their electricity bills.

Content of electricity bills. The Electricity and Energy Efficiency Directives require that electricity bills contain certain information elements, but some electricity companies in the 10 mystery shopping countries are not yet complying with these requirements. For example, only 32% of mystery shoppers found information about the fuel mix/energy sources on their electricity bill and 28% about the single point of contact in their country. Information about the period of notice to terminate a contract was not found on bills in Italy, Poland, Slovenia and Spain, while in Germany and France, at least half of shoppers had found such information on their bill (50% and 57%, respectively). Annual bills more frequently contained certain information elements, such as historical energy consumption (51% vs. 43%).

Bill comprehension. 40% of consumers surveyed "strongly agreed" that the bills of their electricity company were easy and clear to understand. A large variation was observed across countries: while more than 6 out of 10 consumers in Lithuania, Estonia and Cyprus "strongly agreed" with this statement, less than 3 out of 10 consumers in Spain, Bulgaria and Italy expressed "strong" agreement.

Although 40% of consumers surveyed "strongly agreed", and an additional 37% "agreed", that their electricity bills were easy to understand, this seemingly positive result was not substantiated in the mystery shopping exercise. Among mystery shoppers (in 10 countries), only 14% *completely agreed* and 29% *agreed* that their electricity bill was easy to understand. This disparity can be explained by the fact that the results in the consumer survey might be influenced by a social desirability bias (i.e. tendency of survey respondents to answer questions in a manner that will be viewed favourably by others). Moreover, respondents in the consumer survey made their evaluation based on memory, while mystery shoppers were instructed to study a recent bill in detail before participating in the exercise.

Electricity companies in the Czech Republic, France and Germany were identified as scoring best in terms of providing information on electricity bills in line with the requirements set out in the Electricity Directive. Electricity companies in Germany, however, appear to be better than those in the Czech Republic and France in presenting this information in a way that is easy to understand: in Germany, 50% of mystery shoppers *completely agreed* or *agreed* that their bill was easy to understand; the level of agreement, however, fell to 36% in the Czech Republic and to 30% in France.

The **framing of information** is very important in helping consumers to access, assess and act upon information. Behavioural economics recognises that more information does not necessarily help consumers to make better choices. Furthermore, due to cognitive limitations, consumers tend to use heuristics to make choices when faced with information complexity. The behavioural experiment tested the impact of framing bill information by making use of different bill formats.

The bill with **a comparability box** was rated better by consumers in terms of information provided on usage and charges, and as having less complex language, although the actual language used was the same just the presentation format was different. The comparability box also helped respondents in the behavioural experiment to better understand their bill; on average across all questions, 84% of respondents who saw the best practice bill selected the correct answers, compared to 79% of respondents who saw the standard bill.

The experiments also confirmed that presenting historical consumption **in a chart rather than in a table** improves consumer understanding of their electricity consumption. When referring to their consumption history in a table, 42% of respondents could correctly answer how much energy they had consumed in the previous year, compared to 58% of respondents when referring to their consumption history in a chart.

Recommendation 9 on bill content and presentation

Actions should be set up to ensure that electricity companies comply with the requirements set out in the Electricity and Energy Efficiency Directives with regards to the content of electricity bills. Bills should clearly show, up front and using a simple format, the important elements of the bill including the price to be paid, the consumption amount, fuel mix, and information on how to switch or file a complaint. Bills should be clear and avoid the addition of superfluous information in order to improve consumer understanding.

Additional guidance at EU level regarding user-friendly energy billing could be provided; this guidance should not just focus on content of bills, but also on the way information is presented. Including a "comparability box" in electricity bills that presents the supplier name, contract period, tariff type/name, switching code and price, would help consumers to understand their bills better. Presenting historical electricity use in a chart as opposed to a table would help consumers better understand their past energy consumption.

8) Prices

Electricity prices are very different across Member States, leading to a large variation in consumers' perceptions of such prices. Although Malta was one of the worst-performing countries in 2010; the country now scores better with more consumers expressing the view that their electricity company offered balanced and reasonable prices.

Consumers perceptions of prices. 28% of consumers surveyed "strongly agreed" that their electricity company offered balanced and reasonable prices (between 8% in Bulgaria and 45% in Germany; in Bulgaria, 62% "disagreed" that this was the case). Additionally, 27% "strongly agreed" that electricity companies offered competitive tariffs prices (between 10% in Bulgaria and Greece and 48% in Germany).

Cross-Member State variation in prices. Prices compare very differently between Member States depending on whether they are measured in Euros or purchasing power standards (PPS), illustrating the importance of accounting for the general cost of living when comparing electricity prices across the EU. Newer Member States such as Hungary, Slovakia and Poland have among the lowest electricity prices in Euros, but among the highest prices in PPS. Finland has the lowest electricity price in PPS terms, followed by Luxembourg and Sweden. Over the 10 years from 2004 to 2014, prices in PPS (both including and excluding taxes) rose in most Member States (25 out of 27 Member States).

Furthermore, the structure of household electricity prices differs considerably across countries. In some countries taxes contribute a large part of the overall price, whereas in others electricity costs and supply margins are more important. The study found that low consumption consumers pay the highest fixed charges. If a high proportion of the electricity prices is due to a fixed element, consumers cannot substantially change their electricity expenditure, even if they reduce their electricity consumption.

Recommendation 10 on tariff structure

The fact that consumers with lower electricity usage pay higher per unit prices as a result of fixed fees charged by a number of electricity companies has potentially negative consequences both in terms of encouraging reductions in electricity consumption and in terms of possible distributional consequences if low consumption consumers are also consumers with low income. As such, this study reiterates the 2010 study recommendation to **change tariff structure to avoid higher per unit prices for low-consumption consumers, especially if they are on low-income. Electricity companies could also be encouraged to ensure consumers are aware of the full range of contracts on offer and to pay particular attention and provide advise especially to those consumers facing energy poverty.**

9) Affordability

Affordability issues were also addressed in this study. Depending on the approaches that are used to measure energy poverty and affordability, there is a difference in estimates as to how widespread this phenomenon is. Energy poverty is most widespread in Greece; the country's current result represents an important deterioration compared to the 2010 results.

Consumers in Greece were the most likely to report having **difficulties with paying their electricity bills**: 10% of consumers surveyed answered that they often could not pay such bills on time and 19% said this happened to them sometimes. In Croatia, Slovenia, Hungary and Romania, between 17% and 20% of consumers answered that they sometimes (or even often) could not pay their electricity bills on time.

In total, 8% of consumers surveyed answered that they regularly had to pay **a fee for a late payment** of their electricity bill, 3% reported that their **electricity consumption had been restricted** due to non-payment of their bills, 5% benefitted from **a social tariff or assistance from their electricity company** (e.g. a staggered payment plan), and 3% received **financial assistance from the government** aimed at helping them to pay their electricity bills.

In Bulgaria, Greece, Hungary and Romania, roughly a sixth of consumers answered that they regularly had to pay a fee for late payment. In Greece and Bulgaria, 7% and 11%, respectively, of consumers reported that their electricity consumption had been restricted due to non-payment of their bills. One in five consumers in Greece replied that they benefitted from a social tariff or assistance from their electricity company.

Recommendation 11 on tackling energy poverty

It will be important to establish methodologies that can be used at EU level to **measure energy poverty in both quantitative and qualitative ways**. This could include using existing Eurostat data on household expenditure and energy costs for a basic quantitative metric, while a second approach would take into account more qualitative factors, such a housing quality and energy needs per social group. Having a combination of such approaches would allow for a more coherent picture of energy poverty, as well as the most impactful policy responses.

10) Vulnerable consumers

Evidence collected during this study indicates that a number of groups may be particularly vulnerable in the energy market.

Older consumers (65+), economically inactive consumers and those with lower educational attainment tended to perform worse in the marketing material behavioural experiment. Therefore, common marketing methods such as presenting up-front information in the offer in a non-standardised way and placing information relevant to assessing the overall cost behind a "pop-up" button can disproportionality affect consumers in these socio-demographic groups. Further, switching rates were lower among over 65 year-olds, economically inactive respondents and respondents with lower education attainment. For example, while 15% of over 65 year-olds had switched provider or tariff in the past three years, this figure was 30% for younger respondents.

Recommendation 12 on vulnerable consumers

Interventions and actions that assist older consumers, economically inactive consumers and lower educated consumers should be considered. For example, actions to improve online accessibility, and ensuring that information is presented in a clear, understandable format without key terms and conditions in small print or "dripped", particularly in communications specifically targeted at these groups.

Policy measures to address vulnerability and energy poverty should take into account various drivers, such as local living conditions, which reflect the differing needs of certain consumers.

The range of consumers receiving a social tariff or assistance from their electricity company, or government financial assistance, ranges greatly across the Member States. **Member State authorities are thus encouraged to ensure adequate support using an appropriate range of measures, and that consumers are aware that this support is available.** Such measures could include support to invest in energy efficient housing renovation, advisory services to encourage more economical use of electricity, and repayment terms for those facing temporary financial difficulties. For those facing severe energy poverty, social welfare support should be considered.

Arrears on electricity bills. Consumers who reported that they sometimes or often cannot afford to pay their electricity bills on time were as likely as consumers without such difficulties to have tried to switch provider or tariff (28% and 29%, respectively); however, they were overall less successful in this endeavour and the actual switching rate for this group was lower (19% vs. 25% for consumers without payment difficulties).

Experience with comparing offers. Electricity markets seem to be easier to navigate for more experienced consumers. Consumers who had actively engaged in searching for offers were better able, on average, to understand the marketing offers and to correctly answer the comprehension questions. In the behavioural experiment, respondents who had compared offers, tended to choose the cheapest deal more often than respondents who had not compared offers (63% of respondents who had compared offers chose the cheapest deal, compared to 57% of respondents who had not compared offers).

11) Complaints and redress

The most common (regulatory) approach for complaint handling is for the consumer to go through their electricity company as a first point of contact. The study found that roughly a tenth of consumers surveyed had complained to their electricity company in the past three years; among these, however, many were not satisfied with the way their complaint had been dealt with.

Incidence and type of problems. 31% of consumers surveyed had experienced a problem with their electricity company in the past three years; this figure ranged from 17% in Germany to 60% in Romania. Problems related to billing and pricing were more frequently mentioned: 11% of consumers (who had experienced a problem) referred to problems with prices (e.g. too high or incorrect), 11% to estimates of electricity consumption (e.g. incorrect estimates) and 8% to billing problems (e.g. non-transparent or incorrect billing).

Among consumers who had experienced a problem with their electricity company, 40% had filed a complaint (between 18% in Lithuania and 59% in Malta). Consumers who had complained to their electricity company largely outnumbered those who had contacted a third party – e.g. a consumer organisation, ombudsman or regulator (35% vs. 5%).

Complaint handling. Many complaints filed were resolved within a matter of days: 17% of consumers reported that their complaint had been dealt with within one day, and 18% said it had taken between two and four days. At the other end of the scale, for 20% of consumers, more than a month had passed between filing the complaint and reaching a solution. Only 22% of consumers, who had filed a complaint, reported being "very satisfied" with the way their complaint had been dealt with.

The most important reasons for not filing a complaint were that it was unlikely that a satisfactory solution would be reached (mentioned by 36% of consumers who had experienced a problem, but had not complained), that it would be too time consuming (21%), that the sums involved were too small (17%) or that it was too difficult to file a complaint (13%).

Recommendation 13 on complaint handling

Although some consumers were not satisfied with complaint handling by their electricity company, very few have contacted a third party – e.g. a consumer organisation, ombudsman or regulator. It will be worth **examining the effect of Directive 2013/11/EU on consumer Alternative Dispute Resolution on internal complaint handling by electricity companies.** The Commission will examine the overall application of the Directive in 2019 and every four years thereafter.

12) Enforcement

With more choice and offers, consumers need even greater assurances that they enjoy effective protection from commercial practices that are not in line with EU consumer and marketing law (i.e. unfair commercial practices). In this section, findings about the incidence of such practices, as reported by respondents in the consumer survey, are presented. Results from the consumer survey tend to indicate that problems related to commercial practices that are not in line with EU consumer and marketing law are relatively rare; many stakeholders participating in the consultation, however, considered such practices by electricity companies to be, overall, "common".

Compliance with contract and other EU consumer and marketing law. Presented with four commercial practices that are not in line with EU consumer and marketing law, each time roughly one in seven consumers answered that this practice occurred in their country: unclear, incomplete and difficult to understand contract information (18%); electricity bills that do not accurately reflect real consumption (15%); misleading pre-contractual documents that omit relevant information (15%); and, contracts that do not respect consumer rights (13%). When asked to think about **advertising of electricity companies**, 34% of consumers answered that advertising sometimes deceives, misleads and omits relevant information and 39% "strongly agreed" that electricity companies made their tariffs appear more attractive than they really were to encourage customers to switch.

Consumers in Bulgaria were overall the most likely to state that problems related to such commercial practices occurred in their country (e.g. when asked whether the information in their electricity contract was clear, complete and easy to understand, 45% disagreed). In Finland, on the other hand, consumers were overall the least likely to agree that such commercial practices occurred in their country; nonetheless,

even in Finland, 36% of consumers "strongly agreed" that electricity companies make their tariffs appear more attractive than they really are to encourage customers to switch.

Recommendation 14 on advertising of offers

Roughly 10% of consumers who had compared tariffs of different electricity companies had based these comparisons on advertisements by electricity companies. **Enforcement activities should be set up to ensure that advertising by electricity companies respects the requirements of EU consumer and marketing law. In particular, advertising should not deceive, mislead or omit relevant information that consumers need to take informed purchasing decisions and should not take advantage of vulnerable consumers.**

Role of the national energy regulator. 24% of consumers surveyed "strongly agreed" that the national energy regulator played an essential role in monitoring and enforcement of the retail electricity market and 42% "strongly agreed" when asked whether the national energy regulator could do a better job in making the electricity market work for consumers. A considerable proportion of consumers across most countries could not express an opinion about the role of the national energy regulator.

13) Innovation

Consumers have become engaged in new ways of using energy that go beyond mere electricity consumption. However, 41% of consumers surveyed "disagreed" that their electricity company introduced innovations in technology and services that were matching their needs or were not aware of any such initiatives; this proportion ranged from 32% in Malta to 73% in Bulgaria.

According to the stakeholders in the retail electricity industry surveyed in this study, the main innovations in the electricity market for consumers are: **(1) smart meters, (2) collective switching, and (3) self-generation**. Roughly 7 in 10 stakeholders believed that legislation in the area of new types of metering stimulates innovation and roughly one in two stakeholders said the same for innovation in the fields of self-generation of energy and the possibility to sell back excess own-generation. In contrast, three-quarters of stakeholders indicated that legislation has no impact on innovation in collective switching.

Smart meters. Awareness of smart meters remained low in most countries; the highest levels of self-reported awareness of smart meters were observed in Romania (40%), Finland (41%), the UK (48%), Malta (60%) and Slovakia (71%). The proportion of mystery shoppers who answered that the electricity company's website contained information about smart meters ranged from 4% in Lithuania and the Czech Republic to 43% in the UK. The case study on smart meters illustrated that smart meter deployment should be accompanied with **appropriate data visualization systems**, to ensure that the consumer receives customized feedback on their energy use.

Recommendation 15 on fostering innovation

The best practices from billing (e.g. reliance on graphics) and use of mobile and web technologies should be aligned with **developments in smart meter graphical display** (i.e. innovative display systems that can provide customised and visual feedback) **to ensure that consumers can avail themselves of the benefits from smart meter technologies**.

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