



Insights and Positions on Regulated Retail Prices

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CEER: Fostering energy markets, empowering consumers

- Independent voice for 35 European energy regulators
- Promotes competitive, secure and sustainable markets for consumers
- Champions sound energy regulation with stakeholders, incl. policy-makers
- Supports NRAs and encourages best practices:
 - ▶ Training Academy
 - ▶ Workshops, e.g. international events on security of supply
 - ▶ Papers, reports, benchmarking

Putting consumers at the heart of energy policy: CEER-BEUC 2020 Vision



European Energy Markets: The Challenge of Adaptation

Liberalised Markets

Competition
Consumer choice
Demand-side and
prosumer growth
at DSO level

Renewables Growth

Dispersed and
Variable
Low marginal
cost
Often small-scale
at DSO level

New Technology

Smart Meters
Smart Grids
Smart Heating
Electric Vehicles
Internet of Things
Data Management
Cybersecurity

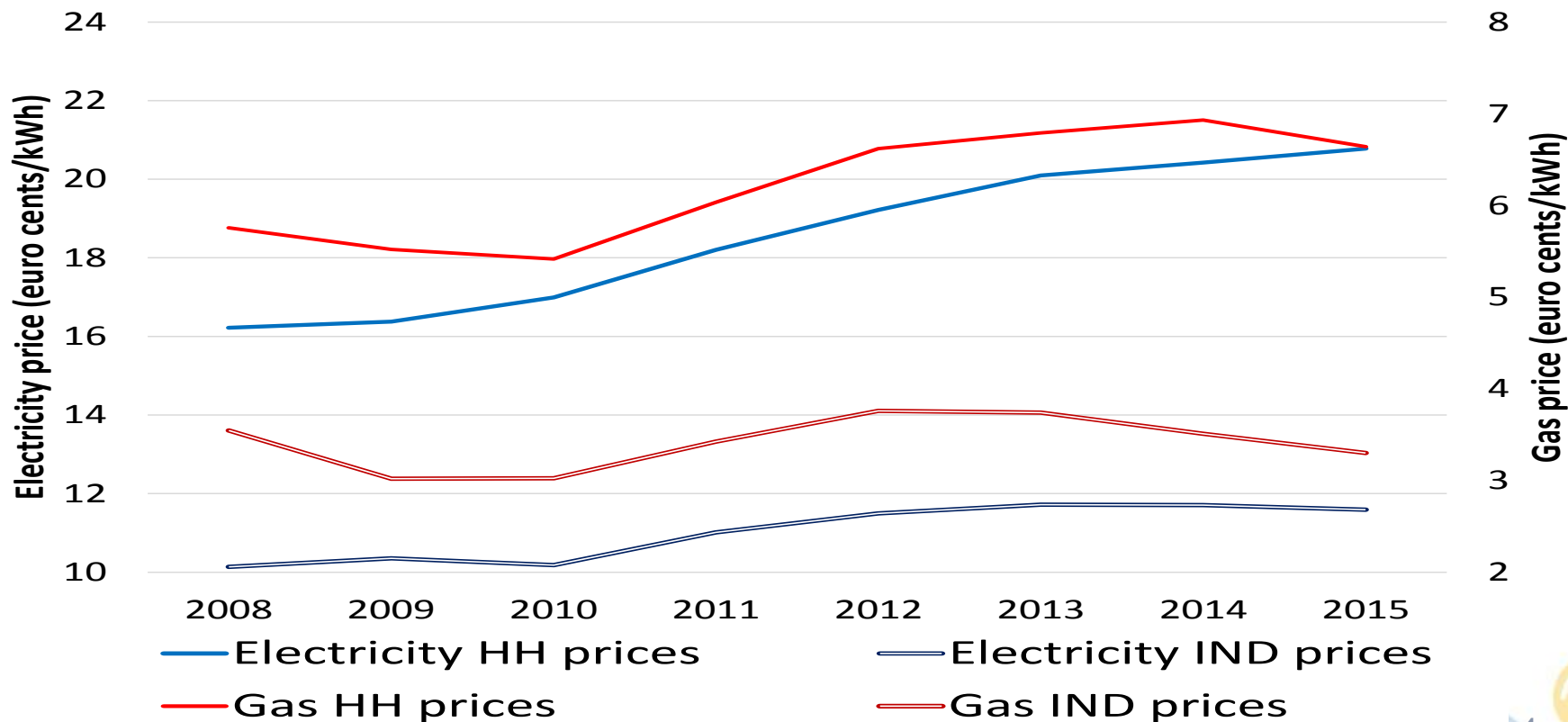
RES > 28% of EU demand
260 GW of RES, >10 GW DRS

Digitalisation
3"Ds": Decarbonisation
Decentralisation



ACER / CEER Market Monitoring Report

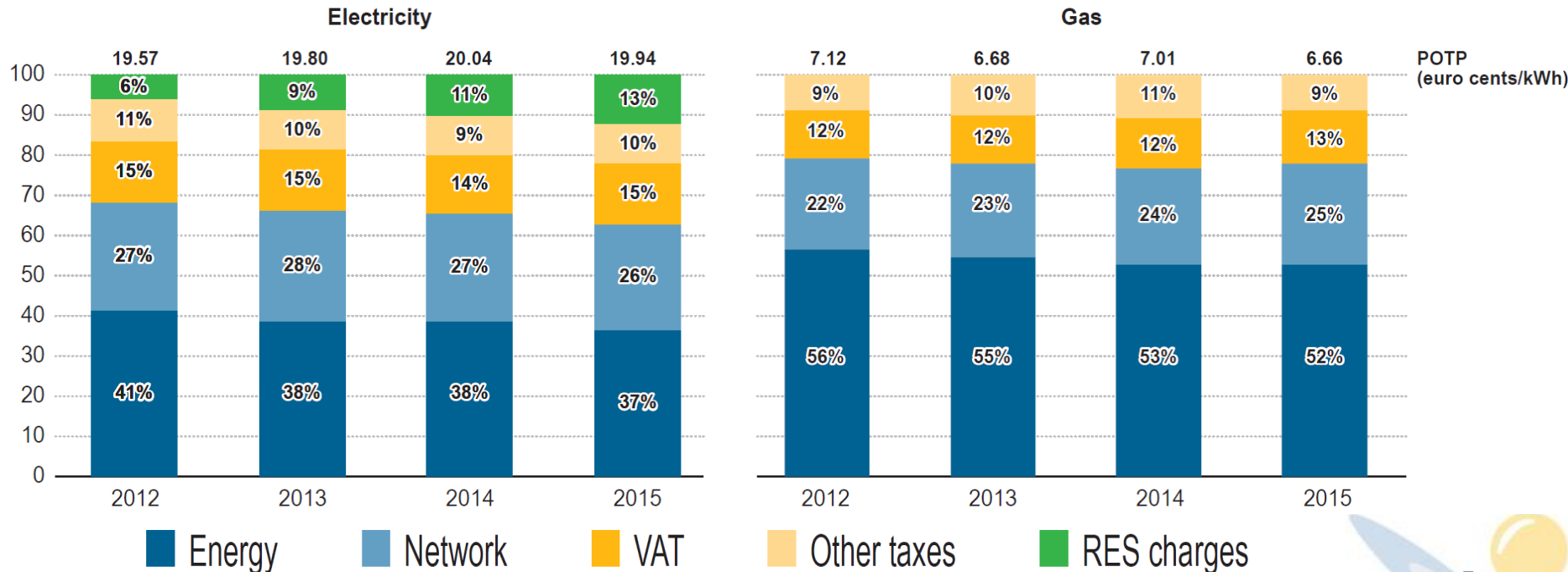
- In 2015, retail energy prices dropped, **except for electricity households.**
- Average level: 20.78 cents/kWh, **1.7% yearly increase (28% since 2008).**
- ▶ **Electricity and Gas post-tax price trends for household and industrial consumers in Europe over 2008-2015 (euro cents/kWh)**



Share of non-contestable charges keeps increasing

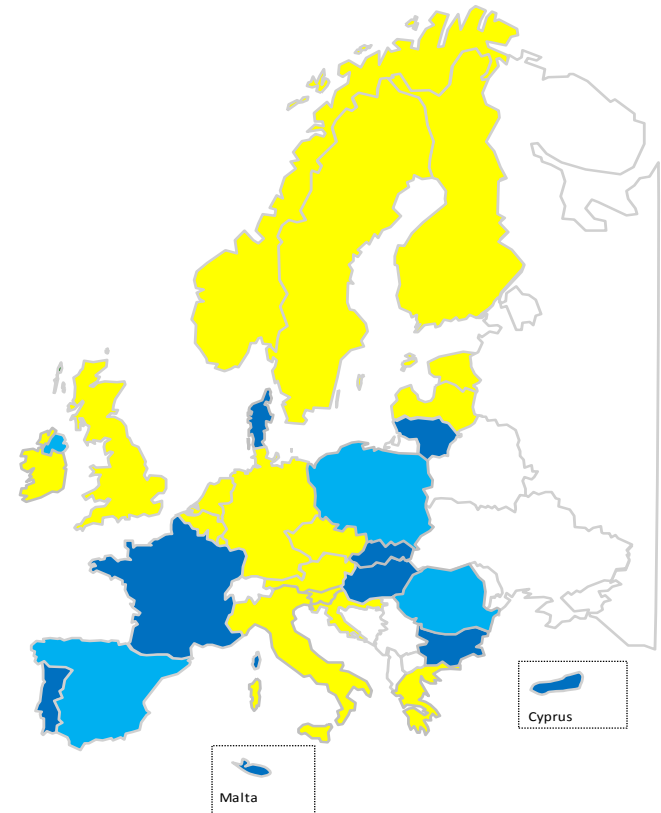
- ▶ RES induce **lower wholesale** prices, feeding into consumer bills.
- ▶ But, **subsidies** and other levies have **risen**, squeezing competition effects.
- ▶ **Better market functioning** being partially offset by **governmental interventions**.

Household Energy Bill Composition, ACER/CEER MMR



Energy Retail in Europe

- Several retail markets still price regulated.
- In these cases, the competition index is lower on average.
- More choice for consumers where prices have been liberalized for longer.
- We recommend price deregulation once the market is competitive.
- We support facilitating new supplier entry by reducing barriers.
- We advocate consumer protection and empowerment.



Non-regulated prices

Regulated prices for the household segment

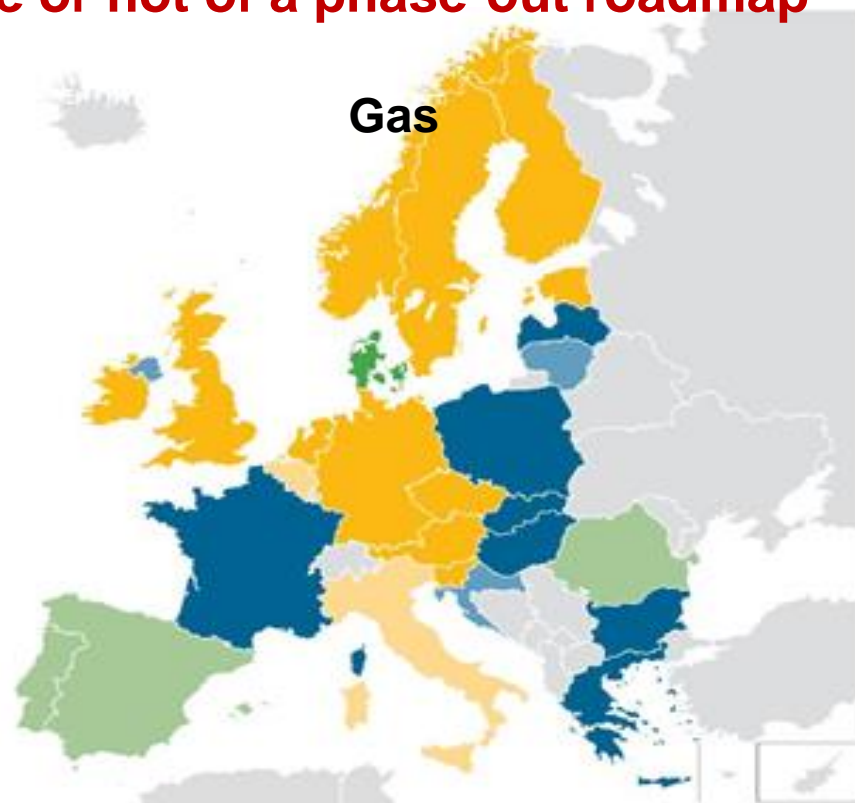
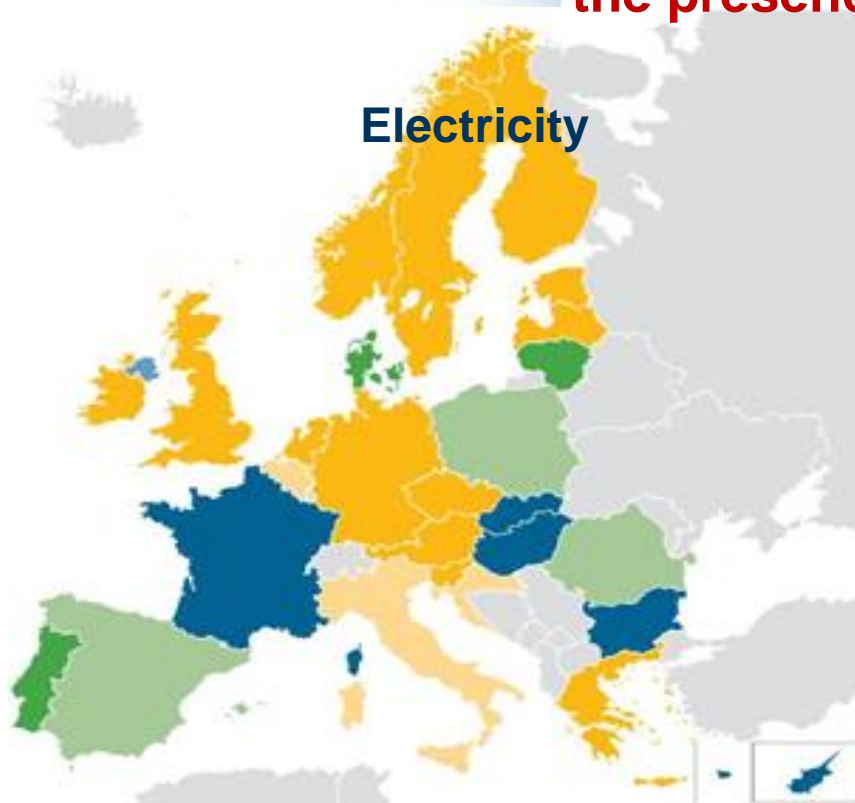
Regulated prices for the entire retail market

Regulated Retail Prices: Facts and Developments

- **Definition:** Prices subject to regulation or control by **public authorities** (e.g. NRAs, governments), as opposed to being determined **exclusively by supply and demand**.
- **Condition:** If they apply to consumers **that are not defined as 'vulnerable'**.
- **Different forms:** Setting or approving prices, standardization of prices, or combinations. **Heterogeneous methods**.
- **Differentiation:** A clear **roadmap or not for phasing out** regulated prices.
- **12 Countries (2015): households** - Bulgaria, Cyprus, Denmark, France, Hungary, Lithuania, Malta, Poland, Portugal, Romania, Slovakia and Spain.
- **9 countries:** **industrial** market segments as well.
- **EU households** under regulated prices **decreased from 54% in 2008 to 35% in 2015**.
- This mainly reflects **progressive liberalization** of household segment in Spain (- 48%), Portugal (- 65%) and Italy (-100%).



Price Regulation: Diverse conditions, including the presence or not of a phase-out roadmap



Regulated prices for the entire retail market

Regulated prices for the household segment

Regulated prices for the entire retail market with roadmap for their removal

Regulated prices for the household segment with roadmap for their removal

Non-regulated prices with (potential) ex-ante intervention

Non-regulated prices



Evidence from Competition Indicators and Case Studies

- Even if switching to non-regulated prices is possible, most households remain under regulated prices ➡ 100% in Bulgaria, Lithuania, Romania and Slovakia.
- Even if regulated prices apply for less than 95% of household consumers (as in Denmark, France, Portugal and Spain), retail markets exhibit:
 - ❑ higher concentration ratios
 - ❑ fewer average net entries
 - ❑ fewer offers per supplier available in capital cities
 - ❑ higher average annual mark-ups.
- The Portuguese case: A success story
 - ✓ Introduction of a phase-out roadmap.
 - ✓ The regulator contributed through various measures aimed at: removing barriers to entry, improving competition, simplifying switching and increasing transparency.
 - ✓ Despite extension of regulated transitory tariffs until 2017, The switching rates that emerged are amongst the highest in EU (27%).



Positions on Regulated Retail Prices

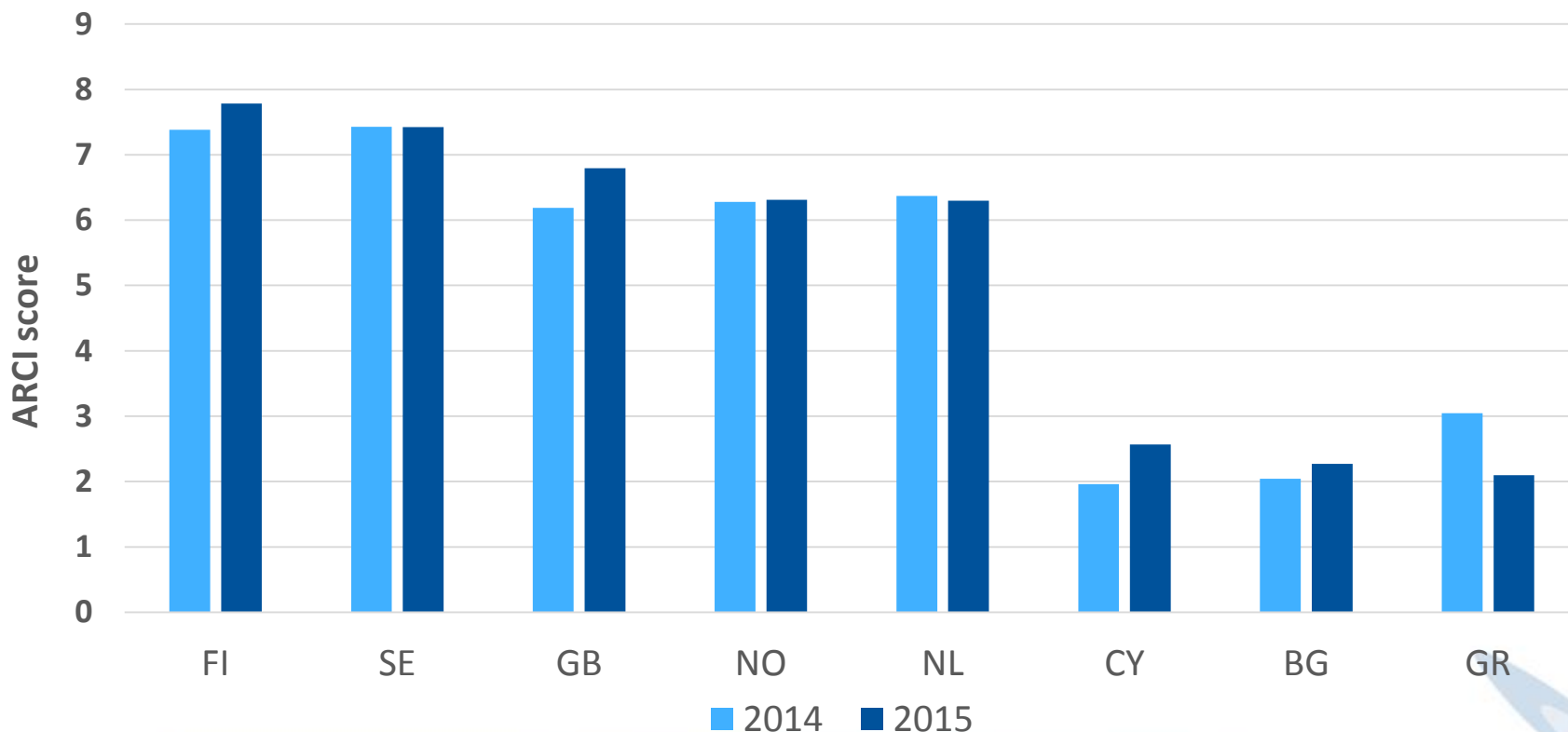
- European Commission:
Obstacle to demand-side participation and retail competition, if not limited in time or applied to exceptional cases based on socio-economic criteria (*Energy Union Communication*).
- End-user prices below energy sourcing costs may seem **attractive to consumers but only in the short term**.
- Such a policy is **a barrier to market entry**, and hence, to competition.
- In markets with **persistent negative mark-ups**, market participants do **not receive the right signals**.
- Negative impacts:
 - ❑ For consumers: **Barrier for demand response**, flexibility provision.
 - ❑ For investment: **Uncertainty about suppliers' return in the long run**.



Energy Retail in Europe: Diversity in the ARCI score

- Retail competition and consumer empowerment are still **mixed** across EU.
- **Industry obtains more benefits than households.**

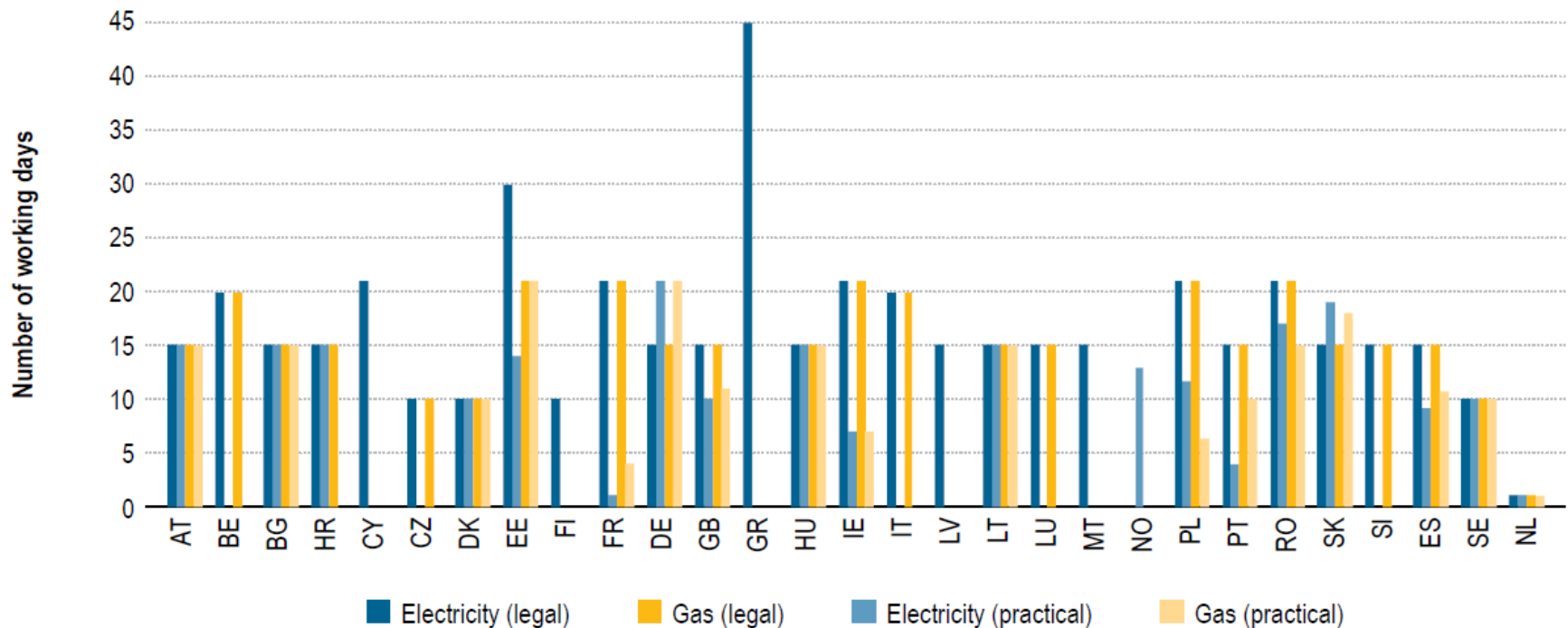
ACER Retail Competition Index, Electricity Households, ACER/CEER MMR



Energy Retail in Europe: Diversity in Switching Times

- Average change of energy supplier time is 14 working days
- ACER/CEER vision of 24 hours by 2025

Change of Supplier Time, ACER/CEER MMR Report



Clean Energy Package

- Regulators' Overview Paper of 23 January 2017 broadly welcomed the Clean Energy package, highlighting issues for consideration



- Regulatory White Papers being published on specific wholesale, network and consumer topics



Seven Fundamental Principles For a Well- functioning Energy Union

Energy Regulators' Initial Reactions

- Maintain and enhance **security of supply**.
- Promote **competition** and avoid cross-subsidies.
- Promote **cost efficiency and sectoral synergies** in delivering maximum benefits to consumers.
- Ensure that EU legislation allows **flexibility for innovation and national/regional developments**.
- **Consistency** with 3rd Package and NCs implementation.
- Avoid **over-regulation**, so as not to stifle markets and overwhelm consumers.
- Ensure robust European **regulatory system**.



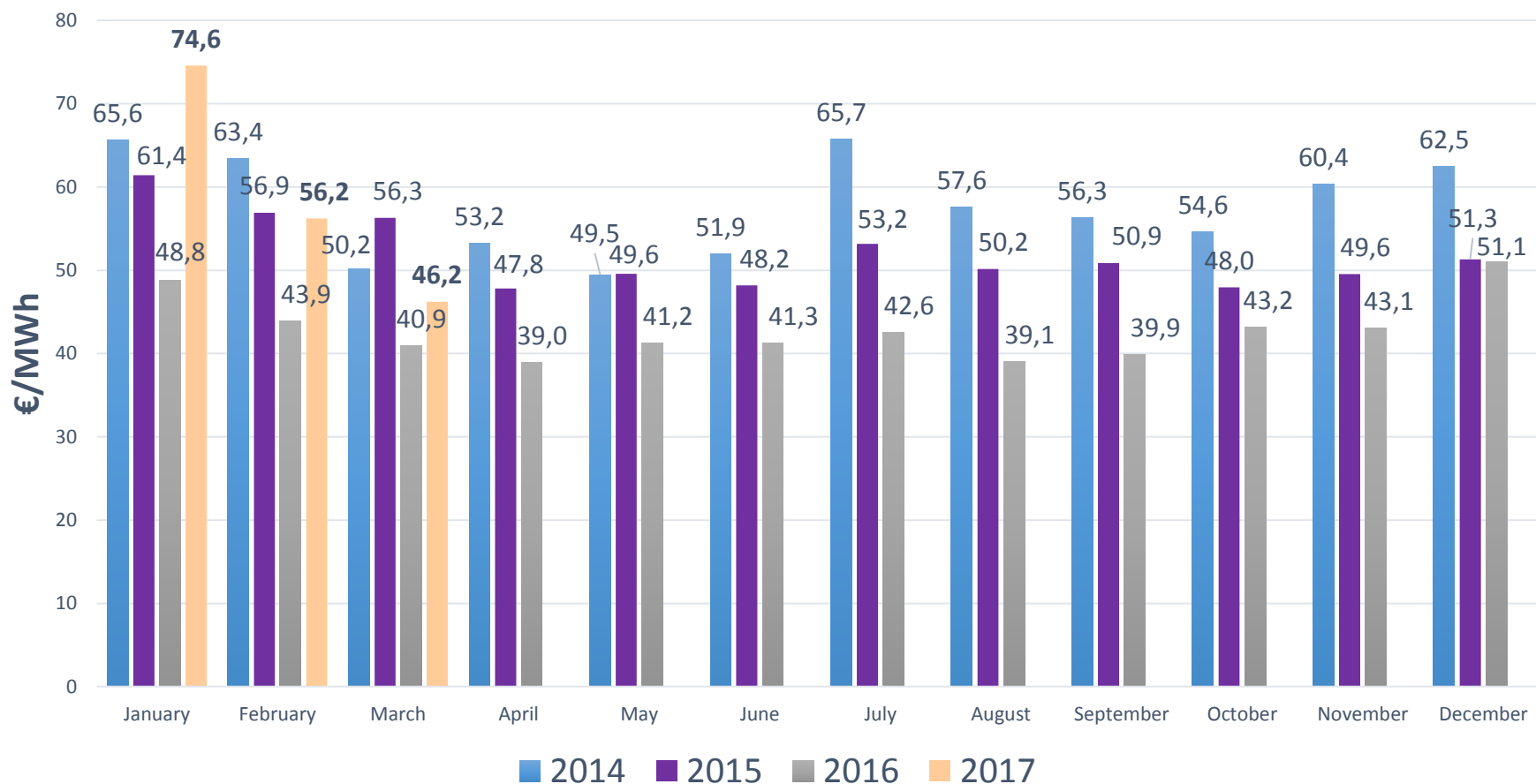
Key CEER Retail Positions on Clean Energy Package

- 24-hour supplier switching process by 2025 if CBA is positive
- Keep required consumer bill information simple
- Mandatory sector-specific certification of CTs not recommended
- We support enabling suppliers to offer dynamic tariffs - but requiring them to be provided could harm retail competition
- Maintain a flexible approach to Smart Meter roll-out
- Data interoperability more important for retail functioning than common data standard

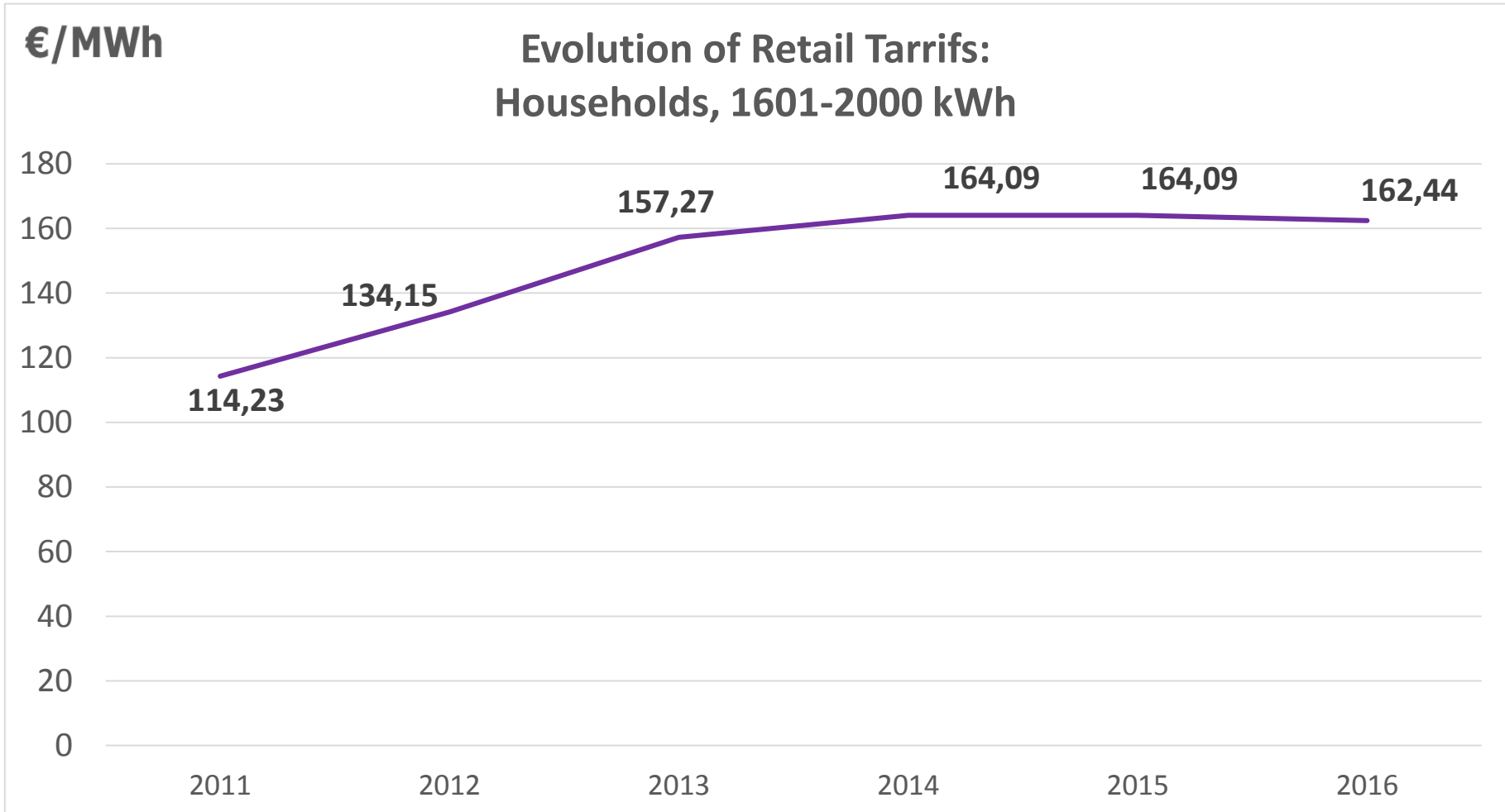


The Dynamics of Wholesale Prices in Greece, Jan 2014 - Mar 2017

SMP Monthly Variation



**Still, consumers were not seeing the effect of
wholesale price drop until June 2016, i.e.
until legislation on retail reforms (NOME) was introduced.**



NOME Auctions

- Remedy for **asymmetry** due to PPC's exclusive access to lignite and hydro. Auctions for **alternative suppliers** (Incumbent's retail market share: **87.5%**).
- In June 2016, RAE proposed the **reserve price** (37.37 €/MWh), which was adopted via a ministerial decision.
- RAE approves quantities, products, schedule (quarterly basis, yearly products).
- **1st auction**: 25 October 2016, 460 MWh/h (highest bid: 37.5 €/MWh)
- **2nd auction**: 31 January 2017, 145 MWh/h (highest bid: 41.14 €/MWh)
- **3rd auction**: 26 April 2017, 145 MWh/h (highest bid: 40.09 €/MWh)
- Benefits should be **balanced** across consumer categories.
Ex-post **monitoring of retail market**.
Competitive charges and **revenues per consumer category** are submitted to RAE and assessed on a quarterly basis.

NOME Impact on Retail Tariffs

Competitive Charges for the Average Consumer

