



MEDREG Institutional AdHoc Group

Customers TF

Recommendations on minimum requirements considered necessary to ensure consumer protection in the field of electricity and gas in the Mediterranean region

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FINAL VERSION

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INTRODUCTION

The Ad Hoc Group in charge of institutional issues (INS AG) has been mandated by the MEDREG General Assembly held in Rome on November 2008, to set up a Task Force on electricity and gas consumer protection in the Mediterranean countries in order to draw up:

- A state of play of current policies and practices regarding consumers rights and obligations;
- A list of recommendations on best practices

The CREG has been instructed at the 5th meeting of the INS AG (Zagreb - March 16, 2009), to coordinate closely with HERA (Croatia) and CRE (France), the work regarding the establishment and the analysis, by the task force, of a questionnaire on consumer protection aspects .

The terms of reference of the study, and the questionnaire were approved at the MEDREG AG held on November 13, 2009 in Nicosia, Cyprus.

The questionnaire is built around the following aspects:

1. Legal and institutional framework (actors and institutions)
2. Overview of the market
3. Networks regulatory framework
4. Consumer protection and transparency
5. Accessibility
6. Education and information
7. Invoicing, Payment, power cuts
8. Other measures or comments

Analysis of the questionnaires properly filled in by 11 Mediterranean Regulators gave rise to a first synthesis report that was approved at the 9th meeting of the MEDREG General Assembly held on May 28, 2010 in Malta.

This document is an updated of the report presented to the General Assembly. It was developed on the basis of 14 questionnaires filled in up to now by the following countries: Algeria, Bosnia-Herzegovina, Croatia, Cyprus, Egypt, France, Italy, Israel, Jordan, Malta, Montenegro, Portugal, Spain and Turkey.

It identifies the minimum criteria considered as necessary to ensure consumer protection in the field of electricity and gas and that could be shared and implemented throughout the Mediterranean region.

A - MAIN FINDINGS

The processing and analysis of 14 responses have identified many similarities between the MEDREG's member countries. The similarities involve a wide range of issues relating particularly to the legal framework on competition, to consumer protection, to access and connection to networks conditions, to the procedures for defining connection costs and to the regulator role.

However, differences exist on the market design and on the organizational and functional aspects. The main differences are observed on the process and procedures adopted by each country, mainly for handling complaints, for appeals and mediation, for relationship between operators, regulators and consumers and as regards policies towards vulnerable consumers.

Thus, the success of cooperation between MEDREG's member countries depends on the establishment of a common approach for consumer protection.

This study represents a first step that has identified a set of values and best practices to be shared among MEDREG member countries in the aim of improving the effectiveness of mechanisms to protect consumers.

B-RECOMMENDATIONS

1 - Legal and institutional framework (actors and institutions):

The analysis of the responses from 14 MEDREG's member countries showed that the legal basis for consumer protection is based either on a general law, on a special law or on both of them.

Indeed, it is recommended for MEDREG countries to have, in addition to the general law on consumer protection and apart from the licensing framework which could be existing, a **specific legislation for the energy sector**, which ensures the supply of energy in the best equity, continuity and quality of service conditions and defines the procedures for actions coordination between the different actors (operators, regulators, associations, state, ...).

Regulators (or another independent authority) must be **endowed with specific powers (given by legislation) regarding consumer protection** in the following areas: processing of complaints, access to networks, monitoring and assessment of the performance of public service, etc. ..

The relationship between consumers on the one hand and operators/regulators on the other hand must be defined by **transparent and public procedures** and in particular on complaints, appeals, compensation, etc.... In this respect, standardized procedures could be developed by the regulator.

Regulators must also play an important role in **promoting the sustainability of the electricity and gas sectors**, namely by promoting demand side energy efficiency, by reducing the networks environment impacts and by promoting renewable energy sources i.e. by establishing a framework authorizing incentive pricing related to environment preservation.

2. Overview of the market

The situation of the energy market differs from one country to another. Some countries have fully opened their market (generation and supply) to the competition, while for others the market is partially or not at all opened. Consequently and in order to allow a more open market including power generation, it is necessary to accelerate the establishment of appropriate regulatory framework while taking into account consumers' rights and obligations of public service in order to provide greater flexibility for consumers when choosing a supplier (price) as well as improving the quality of service.

Regarding end-user tariffs, they are regulated in most countries and are often set up by the regulator. Thus, it is recommended for setting end-user tariffs to consider the following:

- The economic and financial objectives (covering the costs of energy generation and supply);
- The social objectives (guaranteeing access to electricity and gas);
- Protecting the environment and an efficient use of resources.

3. Networks regulatory framework

All countries have laws on electricity and natural gas, which defines the technical and commercial access networks conditions. Therefore, the establishment of clear and precise procedures is a necessary condition for:

- Ensuring equity and transparency in the processing of access demand;
- Monitor how operators perform their duties and obligations (network security and quality of service).

In the treatment of captive and eligible customers, it is necessary to define the regulatory arrangements to be set up by the operators (rights and obligations).

In addition, regulators should have powers to ensure that the tariffs and prices for connection and other network services are non-discriminatory, reasonable and transparent.

4. Consumer protection and transparency

To accomplish their missions for monitoring the operation of competitive and transparent energy market in the interests of consumers and operators, the regulatory authorities should be able to:

- Allow the establishment of **service quality standards** technical (such as indicators linked to the quality of supply, the average duration of outages, regulation of the voltage and frequency) and commercial (such as response time to call or complaints, treatment of requests in due time, punctuality to appointments with customers) ensuring harmonization in the Mediterranean;
- Improve the quality of service by the introduction of **incentive mechanisms** within the tariff structure, including possible sanctions in case of failure.
- Improve the **information given to consumers** notably in readability of bills, information regarding suppliers, prices transparency, consumers consumption
- Allow consumers to be **compensated** if the operator fails or causes damages.
- Have a law that entitles them to **access to financial and technical information** of all market participants regarding regulated activities and the authority to require utilities to publish reports and data.
- Have a dedicated department that supports the complaint handling and a decision-making power particularly with regard to penalties for failure of operators to meet their obligations.
- Have clear and **precise procedures for settling disputes between consumers and / or operators** which define the role of regulator at each stage of the complaint: out-of-court-settlement, arbitration, official procedure
- Have the possibility to set up an **independent body** such as an energy ombudsman in order to ensure efficient and effective treatment of complaints

- Have an **international cooperation program** on issues related to the consumer protection interests (exchange of experiences and best practices).

5. Accessibility

Generally, conditions of access to transmission and distribution networks are defined by decrees and orders.

The connection of a consumer to the networks shall be made within an appropriate period of time and at a reasonable price.

The switching processes should be done as “user-friendly” as possible, providing easy, cost efficient and standardised procedures for leaving one supplier and signing up with another. The system will be monitored by the regulators, so that customers can be confident that the market is working in their interest.

In addition, and following the same logic, regulators must act in a complementary way with the authorities and institutions for the **protection of vulnerable consumers** through various measures relating to prices and tariffs (e.g.: social tariff), energy supply and/or outage management particularly during severe climatic conditions.

One way of protecting vulnerable customers is to have a **supplier of last resort** and/or a default supplier or some other system which protects those consumers who might be unable to get access to electricity and/or natural gas.

The **energy demand forecast** is the responsibility of a number of regulators. Other regulators shall have statutorily the same mission in order to ensure the balance between consumption and production.

6. Education and information

Many efforts should be undertaken by different actors (government, regulators, associations, operators, etc ...), in order to **educate, train, advise and assist consumers** on important aspects related to their protection (their rights and obligations, their material interests and their security) through establishing a **communication strategy** (website, advertisement, guide, media, press ...).

In addition, consumers should be aware of the aspects **linked to the efficiency/saving of energy and the environmental impacts**.

7. Invoicing, Payment, power cuts

In order to reduce the disagreement that may occur between operators and customers following a non paid bill by the consumer or abusive power cut by the operator, the procedures should be developed and disseminated. They should focus on aspects related to:

- The obligation to deliver an invoice its frequency, consistency and legibility;
- Time and conditions for invoices payment
- Suspension or restriction of supply following a notice before the disconnection
- The recovery time after a power outage.

8 - Other measures or comments

A study on smart metering could be carried out in future