



MEDREG Institutional AdHoc Group

Customers TF

SURVEY ON CONSUMER PROTECTION IN THE ELECTRICITY AND NATURAL GAS SECTORS IN THE MEDITERANEAN REGION

Summary Assessment

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FINAL DOCUMENT

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INTRODUCTION

The MEDREG General Assembly held in Rome on November 11, 2008, has mandated the Ad Hoc Group in charge of institutional issues "INS AG" to set up a Task Force on electricity and gas consumers protection in the Mediterranean countries, aiming to provide:

- An inventory of current practices in terms of rights and obligations of consumers in the Mediterranean region, with a particular attention to the protection of vulnerable customers;
- A basis for possible development of a Code (Guide) on the best practices in the Mediterranean.

At its 5th meeting (Zagreb - March 16, 2009), the INS AG has instructed CREG to coordinate the work of the Task Force, in close coordination with HERA (Croatia) and CRE (France).

A draft on "Terms of Reference" (ToR) has been prepared and enriched as a framework for the elaboration of a questionnaire, to be filled by MEDREG's members. The ToR draft was approved at the MEDREG GA of 9th June, 2009 (Cairo, Egypt).

The structure of the questionnaire has been largely based on the model of ERGEG / ECRB and adapted to the situation of regulation in the various Mediterranean countries, in order to enhance the coherence between the regional organisations activities.

The final version of the questionnaire was reviewed and enhanced at the 6th INS AG meeting, held in Paris (France) on 12th October, 2009.

The questionnaire and Terms of Reference have been submitted to the MEDREG AG, held on 13th November, 2009 in Nicosia (Cyprus), which approved the study with the following schedule:

- Deadline for submitting the questionnaire: January 31, 2010
- First evaluation of the draft report: April-May 2010
- Assessment of final report and conclusions: October-November 2010

The final questionnaire was distributed to all MEDREG's members on November 25th, 2009, indicating January 31st, 2010 as the deadline for submission of filled in questionnaires.

Fourteen (14) countries, representing 61% of MEDREG member's countries sent back the questionnaire completed to the CREG, with copies to HERA and to CRE.

We thank each contributor for the time he spent on answering this questionnaire.

| Countries | Regulators | Field |
|--------------------|------------|---------------------------------------|
| Algeria | CREG | Electricity, Gas distribution |
| Bosnia-Herzegovina | SERC | Electricity |
| Cyprus | CERA | Electricity and Gas |
| Croatia | HERA | Electricity, Oil, Gas, Heating |
| Egypt | EGYPTERA | Electricity |
| Spain | CNE | Electricity, Oil, Gas |
| France | CRE | Electricity and Gas |
| Italy | AEEG | Electricity and Gas |
| Israel | PUA | Electricity, Oil, Gas |
| Jordan | ERC | Electricity |
| Malta | MRA | All Energy, Water and Minerals |
| Montenegro | ERA | Electricity, Oil, Gas |
| Portugal | ERSE | Electricity, Oil, Gas |
| Turkey | EMRA | Electricity, Oil, Gas, GPL |

A - SUMMARY AND MAIN CONCLUSIONS

The analysis of responses to 38 questions of the questionnaire on consumer protection in the field of electricity and gas in the Mediterranean region, has led to the following main results summarised as below.

Legal framework

All countries have legislations related to consumer protection and competition for power generation and energy supply.

Five countries have no regulations defining the procedures for actions coordination between the different actors involved in the consumers protection.

In 11 out of 14 countries, the regulator is responsible for handling complaints, mediation and appeals.

The relationship between regulators and consumers are codified in 12 countries.

The legal definition of "consumer" differs from one country to another. Consumer expectations are managed by various institutions (government, regulator, operator and consumer associations).

Overview of the energy market

Competition in power generation and energy supply exists in 10 countries.

Supply and demand are followed by specific bodies (Ministry, regulator, operators, etc ...).

Regulators from 10 countries set tariffs for non-eligible customers.

Networks regulatory framework

All countries have legislations defining the conditions for access and connection to networks and procedures for setting connection costs.

The treatment modalities for eligible customers does not exist in three countries.

Consumer protection and transparency

13 out of 14 countries have a specific legislation regarding the energy quality of service for setting up norms and standards and their monitoring.

The countries have rules, regulations or procedures governing the protection of the economic interests of consumers (13 out of 14), the definition of conditions of supply and access contracts (13 out of 14), the conflicts resolution between consumers and operators (14) and the setting up of a system of sanctions / penalties for failing operators (13 out of 14).

In addition to the regulator, other institutions (government, operators, consumer associations, etc) intervene into key aspects of security and health protection of consumer, for information and assistance, and finally education and public information on issues related to consumer protection.

Consumer protection questions are subject to international cooperation in 10 countries (Program, Task force, Working Group of the regulators, etc.)

Accessibility

Development programs for electricity and gas distribution and transmission infrastructures exist in 13 countries.

13 out of 14 countries have mechanisms for price support, such as direct subsidies in direction of vulnerable customers in particular, or a discount on a portion of consumption for all the consumers or by, practicing a social tariff for specific consumers.

Invoicing

The procedure that defines the frequency, regularity and legibility of invoice exists in 12 countries.

The suspension and restriction of supply are governed in all countries by procedures

Conclusion

The diversity of current practices in MEDREG's member regulators encourages us to undertake a harmonization process of those practices and to develop a code of conduct for the consumer protection for a better regulation of the electricity and gas sectors.

B - QUESTIONNAIRE ANALYSIS

The analysis of 14 received questionnaires highlighted for every point, the following aspects:

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

The 14 countries have general legislation on consumer protection and competition (generation and supply). Such legislation exists as law on the protection of consumers, the Consumer Code, the Electricity Act and code of competition.

A minority of regulators (2 out of 14) does not have special legislation on Energy Sector on Consumer Protection.

For the legal significance of the term "consumer" under the regulation of energy, several definitions have been identified as:

- any natural or legal person who acquires or uses for non-professional, goods or services sold or offered
- an end-user
- non households (big / medium / small industrial sites), Households (and small commercial sites) considering the voltage level and volume of consumption
- a final consumer
- a domestic user or a user that has an industrial or other kind of energy destination
- a Principal consumer: The consumer which is directly connected to the transmission system and supplied by electric power from the bulk supply licensee.
- a person who purchases electricity or services from a licensee, or that requests to be linked up to the electricity grid.

All countries (14) have set up relevant authorities endowed with powers to protect consumers.

Almost one quarter (3 out of 14 countries) of regulators do not have legislation for the energy that defines the terms of coordination between different actors for the consumer protection.

Regarding the existence of specific legislation in the energy sector that makes the regulator responsible for handling complaints, it is not available in 3 countries.

The relationship between consumers and the regulator is governed by legislation in most countries (12 of 14).

The promotion of renewable energies affecting customers / end users is regulated by specific legislation in all countries except one (01) where it is expected premium mechanisms for renewable energy production.

2 - Overview of the energy market:

Demand and supply are monitored by a specific body, whose nature differs from one country to another. It may be a regulator, an operator (market, TSO, DSO), an agency or a board for the Protection of Competition, Ministry of Energy and others.

Regarding competition in power generation, the market is highly competitive in most countries (10 of 14). For 04 countries, competition is required by the rules but not yet materialized in the absence of independent producers.

Competition for the supply of energy exists in a large majority of countries (10 of 14). Regarding the remaining 04 countries, the market distribution is not yet open to competition.

Customers are classified into categories. These are determined either in relation to:

- Consumption threshold (GWh / year and Mth / year of annual consumption),
- Level of tension or pressure (Low Voltage / Low pressure, High Voltage / High Pressure)
- Energy use (household, non-household, commercial and industrial, agricultural, lighting).

The tariffs are regulated in most countries (13 of 14). It is based on a system with predefined criteria (economic, financial and social protection of the environment and the efficient use of resources). The regulator is responsible for determining tariffs in 10 countries.

Regarding the question on the existence of an entity responsible for setting conditions of transport and supply of energy:

- A minority of countries (2 of 14) did not answer the question;
- 01 country do not have this entity because the transit is the responsibility of the system operator;

- In 04 countries, this responsibility belongs to the transmission network operator and the Ministry of Industry;
- For 07 countries, this responsibility belongs to the regulator.

3 – Networks regulatory framework

All countries have legislation covering the following topics:

- Access and connection to networks (14);
- Connection costs (14).

Eligible and captive customers handling is regulated in 11 out of 14 countries.

4 - Consumer protection and transparency:

Entities responsible for key aspects of protecting the safety and health of consumers about electricity and gas exist in all countries (14). These are either:

- Government (Ministries, Civil Defence, inspections);
- Local authorities (municipalities, autonomous regions);
- Regulators;
- Operators;
- Consumer Associations.

Almost all countries (13 out of 14) have standards governing the quality of service and this by the introduction of performance indicators that refer to both the technical (such as the quality of supply) and commercial aspects (such as response time to calls or complaints). These standards are either regulated or international. They can also be set by the regulator or proposed by the operator.

Also, 13 out of 14 countries have enacted legislation to protect the economic interests of consumers (laws and decrees).

13 out of 14 countries have legislation that deals with contracts of supply and access (laws and decrees).

Most countries (10 out of 14) have a department within the regulator with powers to take decisions on complaints.

All countries (14) have procedures for handling disputes between consumers and operators. The general procedure is that the consumer exhausts all remedies provided by the operator (supplier, TSO and DSO) before applying to the regulator (Department for Consumer Protection). For one country, the processing of customer complaints and disputes that may arise between network operators, suppliers and end users is the responsibility of the National Ombudsman of Energy.

Nearly all countries (13 out of 14) have implemented systems of sanctions / penalties in case of a failing operator.

Regarding the existence of an international cooperation program on issues of consumer protection, 10 countries out of 14 are already involved in different programs (multilateral and bilateral) within European regulatory organisations. In two countries a program is being prepared and in two (02) other countries there is no equivalent program.

A minority of countries (02 out of 14) do not have a legislation giving regulators the power to require operators to provide consumer with reports and information on public service.

5 - Accessibility

13 out of 14 countries have regulation related to access to transport and distribution networks mechanisms (decrees and orders).

Most countries (13 out of 14) have specific programs for infrastructure development that may be established either by the regulator or by the TSO / DSO or jointly. In general, all development programs require review or approval of the regulator.

The price support or subsidies mechanisms are established in 13 countries and can lead to:

- A portion at a low tariff (5 of 14) for example charges at a discounted tariff a portion of consumption of 500 kWh / year for electricity and 4,500 th / year for gas.
- A social tariff (5 out of 14) that regard for example people whose spend on power 10% or more of their total income.
- A direct subsidy (3 of 14) depending on family size.

A third of countries (5 out of 14) do not have legislation giving powers to the regulators regarding policy and demand forecasting procedure.

6 - Education and information:

Almost all countries have entities responsible for educating and informing (13 out of 14), for advising and assisting (12 out of 14) the public on important aspects of consumer protection (rights and obligations). These are either:

- Government (6 of 14): Ministries, agencies;
- Local Authorities (4 of 14) municipalities, autonomous regions;
- Regulators (10 of 14);
- Operators (5 out of 14);
- Consumer Associations (6 of 14).

7 – Invoicing, Payment, power cuts

The procedures that define the frequency, regularity and legibility of the energy invoice exist in the majority of countries (12 out of 14).

These procedures are defined by either:

- The regulation;
- Operators: through an internal process;
- Consumers and suppliers agreements

The procedures concerning time and conditions of payment of invoices are available in 12 countries. Concerning the means of payments, they may be by check, by payment at the post, by e-payment, etc.

All countries (14) have a process to manage power cut or restriction of supply. Usually, the non-payment of the invoice may lead to suspension or restriction of supply. However, it is prohibited in only one (01) country to suspend the supply of energy when it comes to vulnerable clients receiving social solidarity.

A minority of countries (2 out of 14) do not have processes governing the timely recovery after power outage. As a rule the operator who fails to meet deadlines can be obliged to pay penalties for delays (the customer is compensated).