



GOOD PRACTICE GUIDANCE FOR ENERGY CONSUMERS INFORMATION AND EDUCATION

MEDREG Consumer Issues Task Force – June 2014



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1. INTRODUCTION

In 2008 the MEDREG General Assembly (GA) decided to launch its first activities on electricity and gas consumers issues, with the aim of promoting a common approach of consumer protection principles in the Mediterranean region. An Ad Hoc Group within the existing Institutional Working Group was initially created, and this Ad Hoc Group was converted in a specific Task Force at the beginning of 2013.

The main objectives of the CUS TF are the development and diffusion of best practices in the final consumers' information and education, the definition of an harmonized regulatory framework regarding consumer issues in the Mediterranean region and the establishment of an integrated consumer protection framework in the Mediterranean energy sector.

In the medium term, the main missions of the Consumer Issues Task Force (CUS TF) are the following:

- promote and update MEDREG recommendations on the minimal requirements to ensure consumer protection in the Mediterranean region;
- compare existing procedures and regulation on energy billing to final consumers in the Mediterranean energy market;
- compare existing experiences in consumer education and information to final consumers in the Mediterranean energy market;
- develop the best practices regarding consumer education and information to final consumers, including energy billing;
- develop and diffuse the best practices in consumer protection and empowerment, including specific instruments for those countries where energy competition gives opportunity of choice to final customers;
- analyze the existing policy instruments targeted to vulnerable consumers, including a survey of definitions on "vulnerability" at national level; analyze the potential role for energy regulators in this field.

In 2013 the CUS TF produced two reports: one on *Energy Billing in the Mediterranean Countries*, (June 2013), and the other on *Energy Customer Education and Information in the Mediterranean Countries* (November 2013); including comparative analysis of instruments and policies for consumer information, education, and billing in the Mediterranean energy markets. 16 countries, from both the Southern and Northern side of the Mediterranean, supplied information to allow these comparative analyses.

These two reports can be downloaded at:

www.medreg-regulators.org/PublicationsNews/ConsumerTaskForce.aspx

The first paper focuses on energy billing for household customers. Bills are considered the major source of information for consumers and the main tool for customers to understand their consumption and how much they have to pay. One of the results is that in countries where there is no competition, the bills are an important instrument to check the accuracy of the metered data and to help customers to better manage their consumption and, if possible, reduce energy

consumption. Furthermore, in liberalized markets, accurate, transparent, readable and easily understandable bills represent an essential pre-condition for consumers to actively participate in competitive energy markets, allowing them to compare offers and help them to decide to switch supplier when appropriate.

The second paper summarizes and analyses responses by MEDREG members to a questionnaire on customer information and education in electricity and gas sectors. This survey compares existing rules and procedures concerning household customers information, in order to define minimum criteria for transparent and clear information. Indeed, improving information, enhancing knowledge and raising awareness of consumers rights means empowering customers and their capacity to participate in the market.

Based on these existing surveys, the CUS TF decided to enlarge the scope of the work done, and to elaborate a Good Practice Guidance for customers education and information, including billing, also defining stronger and stricter recommendations. The CUS TF recommendations are listed at the end of each paragraph.

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2. SUBJECT MATTER AND SCOPE

Energy consumers do not always fully know their rights. Information provided to consumers is an essential element of consumer protection. In energy sectors, accurate and relevant information can help consumers to better understand and manage their energy consumption in more efficient ways, contributing to more affordable and efficient energy use, to more significant emissions savings and to support consumers in making informed and free choices.

The energy markets landscape in the Mediterranean region is heterogeneous, and large differences also exist in the field of consumer protection policies. National legislations denote the different degrees of energy markets maturity and national specificities¹. Therefore, an integrated and properly functioning Mediterranean energy market can only be gradually created, and it requires interventions with “variable geometry”². Nevertheless, there are basic principles and conditions that have to be applied by all MEDREG members from now on, because they represent the only possible starting point towards the creation of a functioning and consumer-oriented energy market. In particular, the CUS TF believes that each State has to ensure a minimum set of customer rights concerning clear information on the contracts, the bills, the efficient use of energy, the complaint handling and the role of consumers associations.

The CUS TF considers that, in order to reach the above mentioned objectives, future actions should be taken through the sharing of experiences and the exchange of best practices among MEDREG members; this could contribute to an effective and coherent development of consumer rights in the Mediterranean area.

The identified challenges for the Mediterranean countries are related to building and delivering coherent information and education to customers; helping citizens to access the information and services considered the most appropriate to their needs; guaranteeing market transparency and raising the awareness and active participation of consumers associations to any choice regarding energy consumption.

This Good Practice Guidance aims at setting principles and recommendations that could become part of national action plans. This would allow the promotion of proper consumer education and information, which are key elements for consumers empowerment. Furthermore, recommendations in this document may be used as useful inputs to the future work of Governments and Regulatory Authorities in the field of customer information and customer knowledge under the energy retail market framework. Finally, these recommendations could be taken as a reference to address some specific challenges concerning the implementation of national energy market rules.

Where this paper refers to “customers”/“consumers”, they are to be generally understood as “household customers”; each State may in addition choose to enlarge the scope of these recommendations from only household customers to small and medium-sized businesses, because most of recommendations can be considered relevant for these groups of customers as well.

¹ These differences are analyzed in the MEDREG Benchmarking Report (November 2013), <http://www.medreg-regulators.org/PublicationsNews/Institutional.aspx>

² This term first appeared in documents and treaties of the European Union but it has arisen in other negotiations, particularly in the World Trade Organization – WTO. It has emerged as a possible strategy to accommodate differences in views among nations. It is a term used to describe the concept of a Community in which some countries may integrate more (or faster) than others.

3. STRATEGIC PRIORITIES FOR CONSUMER INFORMATION

3.1. CONSUMERS INFORMATION ON CONTRACTS

This topic is recognized as crucial by the EU institutions. The Communication from the Commission to the Council, the European Parliament and the European economic and social committee “EU Consumer Policy strategy 2007 – 2013” (COM (2007) March 2007) identified three objectives for Member States: to empower consumers, to enhance consumers and to protect consumers.

In achieving these goals, the Commission asked Member State to focus on the consumers need to an accurate information, the market transparency and the confidence that comes from effective protection and solid rights.

The “2020 Vision for Europe’s energy customers”, launched by CEER, Council of European Energy Regulators, and BEUC, the European Consumer Organization, at the Citizen’s Energy Forum in November 2012, put the needs of consumers at the Center of energy policy in Europe.

Mediterranean States should guarantee and introduce a set of basic provisions aimed at customer information. Energy markets in the Mediterranean region must be designed in such a way that customers can become engaged and actively participate to control their consumption and influence their bills. In countries where there is competition, consumers shall be able to exercise their informed choices about suppliers and prices. The needs of all categories of customers, especially vulnerable customers, should be taken into account.

Nevertheless many consumers in the Mediterranean area are still not well aware of some aspects of the energy supply, such as their contractual rights and the means at their disposal to enforce their rights, their consumption and the existence and functioning of consumer protection bodies. They have sometimes difficulties in finding and understanding several pieces of information. The contracts are often too complicated for the average consumer and contain detailed references to legal rules.

In order for customers to become active in the energy markets, basic information on standard terms and conditions (such as the access to and the use of electricity and gas services) must be available, accessible, easy to understand, transparent and accurate.

Each customer has the right to receive a clear and simple contract, containing all basic terms and conditions including quality standards when available. Regulators should avoid that information presented to customers become complicated or confusing; that contracts are endless with too many footnotes in small print and too many technical terms and unclear cryptic clauses. The contract should not be unilaterally written by the supplier; an external body should guarantee that contractual clauses are reasonable and balances, so that both parts interests are represented in contractual clauses.

In achieving these objectives, the Working Group Report on Transparency in EU Retail Energy Markets³ (led by DG SANCO of the European Commission) suggests to give customers a

³ The *Working Group Report on Transparency in EU Retail Energy Markets* was prepared for the V Citizens’ Energy Forum – November 2012. Also BEUC Position paper on “*Consumer rights in electricity and gas markets*”, January 2014,

short summary of the contract contents written in a concise and simple language. This summary could be presented together with the contract in the form of a standardized notice, including key pre-contractual information.

Furthermore, customers shall be aware that their first contact point is the supplier. Suppliers should provide transparent, comprehensive and understandable information on applicable standard terms and conditions to customers; general conditions shall be legible, given in clear and comprehensible language; suppliers have to deal with enquiries and complaints promptly and efficiently.

In case of change of contractual conditions, suppliers shall provide advance notice to their customers.

The internet website of suppliers shall be easy and intuitive for customers on contractual clauses.

The MEDREG CUS TF members agree on the adoption of the following recommendations for improving consumers information on energy contracts in the Mediterranean area countries:

- **the energy supply contract** shall be made available to each single customer, and shall **provide information** regarding pricing, general terms, and conditions in a clear, brief and simple manner, in a comprehensible and non-technical language;
- due to the fact that a contract will necessarily contain both technical and juridical terminology, **a short non-technical summary** of the contract contents written in a concise and simple language should be made available;
- customers should receive adequate and **early notice of any intention to modify contractual conditions**; early notice should be compatible with switching procedures in those countries where the energy market is open to competition, so that the customer will be free not to accept unilateral contractual modifications;
- free unilateral modification of contractual clauses is a powerful instrument in the hands of energy supplier; where legislation allows it, a public body could be in charge of **verifying if the modified contract includes unfair contractual terms**.

underlines the customers need to adoption specific measures to help consumers understand contracts, for example, *via* standardized summary of the contract.

3.2. CONSUMERS INFORMATION THROUGH THE BILL

Bills are the primary source of information for energy consumers, and the main (or usually the only) periodic form of communication between the supplier and the customer. Therefore, energy bills represent an important topic to focus on. Even the European Commission Citizens' Energy Forum recognized the importance of energy billing and decided to devote its first meeting in 2008 to this item. In its Conclusions, the Forum called up energy companies to make their bills understandable, frequent and based on actual consumption and invited the European Commission to establish a working group on good practice guidance for billing.

Indeed, the price information is crucial for any consumer, but the bill can be the only source of information especially for household consumers and small and medium-sized enterprises. The bill represents the basic tool for customers to have information on their consumption and the price they have to pay. These information will consequently allow them to regulate their own energy consumption in a more conscious way. In liberalized energy markets, energy bills can also be used to compare offers, to help consumers to choose rationally among different suppliers and, finally, to improve competition.

The final price that consumers have to pay for energy includes not just the price of energy itself but different components, some of them are regulated by the relevant national authorities and others are decided (at least in some countries) by energy companies. In particular, the end-user energy bill includes the price or tariff for energy itself, the transmission and distribution tariffs, other charges and different kinds of taxes. Hence, in some countries many customers find bills complex, obscure and difficult to understand. In other countries consumers sometimes feel that there is an information overload in bills, which may create confusion.

The MEDREG CUS TF believes that customers need simplified – and if possible – codified information.

Therefore, accurate, up-to-date information on energy prices or tariffs must be easily available for customers, avoiding technicalities not useful or not understandable for them. The information on price must be transparent; bills themselves must be transparent, comparable, easily readable and presented in a clear manner. Therefore, the energy cost, the network charges, other charges and taxes should normally be separated.

In order to boost consumers awareness of energy consumption and costs, each bill should be based on actual consumption, especially if the used procedure/technology allow to do so (i.e. where an actual meter reading exist or smart meters are already installed and well-functioning). When the bill is based on estimated consumption, this could be clearly explained, and reasons and methodologies for estimates also communicated to the energy consumer.

Each State should invite energy suppliers to use the same terminology in their energy bills, which could include the availability of an explanation (i.e. a glossary) of any technical terms used.

Although suppliers remain free to determine the design of bills, the CUS TF agrees that it has to be developed on the basis of better understanding of customers and that it is important that bills are not too long; excess of information could be even worse than scarcity.

Moreover, in order to reach the goal to help customers to better manage their energy usage and to better budget their expenses through behavioral change, the CUS TF suggests that consumers also receive information in the bill on the evolution of consumption, when possible comparing different consumption periods.

Finally, one other improvement to the bills could be to take into account the needs of specific group of citizens, in particular people with disabilities, for example giving the possibility for customers to request their bill in large print.

In addition, bills can also include information on complaint handling, quality of service standards and actual levels, information on the safe use of energy and also the indication of the contact points for complaints or requests of information. Such a relevant list of information is necessary for all consumers, but not necessarily should be made available through the bill, and not necessarily with any energy bill. One of the way to foster the participation of consumers in the energy markets or in the energy items could be to specify in the bill the contribution of each energy source to the overall fuel mix. This piece of information, that also can be made periodically available through the bill or somehow else, will be probably very appreciated by customers who care about environment policies.

The MEDREG CUS TF agrees that a minimum quality of billing information is needed and it suggests the adoption of the following recommendations:

- each customer has the right to **regularly receive his energy bill**; billing periodicity has to be adequate to the consumer energy use and needs;
- **the bill must be transparent, clear, well-structured and written in a simple language**; an explanation of any technical term should be made available either through the bill itself or with any other easy accessible instrument;
- when technically and economically feasible, the bill should be based on actual meter reading and real consumption;
- when energy billing is necessarily based on consumption estimates, the reason should be explained to each consumer, and **information should be made available on the estimate methodology in use**;
- **the total amount to be paid should be clearly separated** in network charges, energy price, other charges and taxes;
- rules on the energy bill content could be introduced at national level, **leaving energy suppliers free to choose the best layout** and graphical solutions;
- **additional relevant information**, like quality standards and levels, complaint handling procedures, safe energy use, existing contact points, and others **should be made available to each consumer**, but the inclusion of this information in the energy bill should be evaluated at national level and for each consumer group, with the purpose **to reach the best possible trade-off between the bill size and the amount of supplied information**;
- where market are fully competitive, **the bill should allow each consumer to understand the energy unit cost**, so that to allow the comparison between such a price and commercial proposals from alternative suppliers; **price comparison tools should be made available** to allow an adequate comparison of existing commercial proposals.

3.3. CONSUMERS INFORMATION ON COMPLAINTS HANDLING

An important way to guarantee a high level of consumers protection in energy markets and to raise the awareness of their rights is to create a good mechanism for the treatment of complaints and disputes. Furthermore, customers must be properly informed about their rights to complain and the procedure that they can activate to complain.

Through complaints consumer can express his/her dissatisfaction on a certain issue to his/her supplier or to public authorities. Complaints may represent an important indicator of energy markets functioning. Numerous ongoing complaints about the same arguments are usually the signal of a systemic or recurrent problem that requires possible actions by public authorities. Complaints might reveal that legislation is wrongly interpreted or applied and/or that rules need review, improvements and adjustments, following, for example, new developments in the energy sector.

When specific rules are in place for complaints handling, it is important to foresee also the collection of complaint data and their publication by service providers. This would allow to measure the performances of suppliers in handling complaints and to have evidence of service quality, contributing to an increase in commercial quality of the service.

Though recognizing that there are many models for effective complaints handling and that the breakdown of responsibility for customers complaints among third-party bodies (National Regulatory Authorities, Ministries, Ombudsman, others) varies from one country to another, the CUS TF believes that some principles must be observed by each MEDREG participant.

First of all, a complaint handling system should be easily accessible to all consumers; the supplier is the primary responsible to manage consumers complaints, but an external body could be in charge of facing unsolved situations. It is necessary that consumers have the information about the complaint system and how to gain access to it. Another important message that should also be conveyed is that there is no financial charge for making complaints.

Information can be provided in several ways: on the bills, on the suppliers' website or others web page, through leaflets and posters.

Customers should be given a range of contact options, clearly identified and simple to use. At a minimum level, this means a telephone number, possibly toll free, an e-mail address and a postal address.

Secondly, a complaints handling system should be efficient. Simple complaints should be resolved quickly on first contact, but all complaints, even when complex, should receive the same continuing attention and be resolved as speedily as possible. If the complaint is not promptly resolved, a report on progress needs to be provided, with an explanation for the delay. Time targets should be determined.

Thirdly, a complaint must be treated with transparency. A fair complaint procedure should ensure that at the time of making a complaint, complainants are advised of the steps in the complaint process; a contact number is given to each complainant, preferably with the name of a contact person; a report on progress is provided if the complaint is not resolved quickly; the outcome of the investigation is explained and reasons are provided if the evidence of the complainant is not accepted.

When customers want to complain, it would be better that they should first contact the service provider in order to try to solve the problem directly; the supplier shall be the first responsible in order to try to solve customer problems. Consumers should receive all information on whom is in charge of dealing with the different categories of complaints. If the question is not resolved

by supplier, customers can submit the complaint to a third-party body, according to the regulatory framework in force.

The MEDREG CUS TF agrees that the following recommendations reflect the consumers need for available and transparent information, simplicity and effectiveness of complaints handling procedures:

- **a single point of contact should be made available** to provide consumers with all necessary information about their energy rights and to solve contractual disputes;
- **adequate information on contractual terms and billing** is a key element in building consumer-friendly energy markets, but these pieces of information can be properly targeted to the protection of final consumers when adequate complaints handling procedures have been introduced and enforced;
- complaints handling procedures must be free of charge, simple, fast and clear, involving as few steps as possible;
- complaint process must be designed so that is to **allow consumers to submit their complaints without any barrier** that could discourage them from doing so and without any discrimination of any category of consumers;
- **Alternative Disputes Resolution procedures can also be made available**, according to the general development of such kind of instruments in each specific country; customers should be properly informed regarding all existing instruments and procedures;
- **a selection of indicators on consumers complaints should be monitored**, and also published in some specific cases, in order to identify recurrent problems in energy markets and to decide subsequent policy actions;

3.4. CONSUMERS INFORMATION ON ENERGY EFFICIENCY

Energy efficiency is a relevant key aspect of the energy agenda of national Governments. According to the BEUC position paper on *Consumer rights in electricity and gas markets* (January, 2014), energy efficiency can be considered as one of the most cost-effective way – if not the most important - of reducing energy bills.

In light of the current economic crisis, greater efficiency and sustainable consumption of energy is more and more important for consumers. Hence, the need to better control household budget is also an opportunity for public policies and for regulators to improve information about environmentally sustainable choices and spread them among market participants, including customers, to achieve major energy savings and to limit greenhouse gas emissions.

The most direct and effective way to lower energy bills is to reduce energy consumption, without reducing energy services. Therefore, it is becoming important to well inform consumers about energy efficiency measures, how to save energy and how profit from energy efficiency schemes in place. Indeed, the right information can change customers behavior by improving their energy efficiency attitudes.

Each State should adopt measures and programs to help customers in achieving the above targets. A national clear policy on energy efficiency could be an useful reference point for customers and it could correctly drive customers choices.

Each State should aim at having household customers who actively participate in the energy market by using energy in the most effective way. To do so, the States can adopt, for example, measures to reduce the energy consumption of private buildings and heating systems. Energy efficiency measures can also include the promotion of renovation of a whole or parts of a flat, a house or a building, the replacement of inefficient appliances, heating system, windows and doors and the insulation of walls and roofs.

Adequate information on technical opportunities and economic effects of energy saving measures is a key factor to promote energy consumption reduction.

Aware of the importance of helping consumers lower their bills and energy saving, each State could also focus on the demand side, encouraging customers to reduce their energy consumption during peak energy times. Indeed, the consumer needs vary daily and seasonally, but in predictable patterns. During times when a lot of consumers are using large amounts of electricity all at the same time (peak load times), the power grid is under stress, and because more energy is needed, the marginal cost of producing that energy is increased during those times. If consumers know what times are classified as “peak”, they can begin load shifting, namely delaying the use of energy during peak times and maximizing the use of off-peak time periods. Doing so could avoid energy shortage, and result in lower energy bills if the average generation cost is reduced and/or when energy is billed on a time-of-use scheme.

People are often passive when the energy bill arrives; they do not feel they have any say or choice in the matter. Many people often feel helpless when it comes to making decisions about the energy they use in their homes, but if consumers understand the basics of peak energy demand and take small steps to shift the energy demand in their home or business, the result could be significant savings on energy bills.

This is a quite different concept from the above mentioned energy efficiency, which means – in other words - using less power to perform the same tasks, on a continuous basis or whenever

that task is performed. At the same time, “peak shaving”⁴ is a component of smart energy demand, which also includes energy efficiency, home and building energy management and distributed renewable resources.

Each MEDREG member should invite energy stakeholders to put in place consumer awareness raising activities such as information campaigns and education tools.

If national institutions manage to work together to promote energy efficiency, customers will start to look at this issue more carefully.

The MEDREG CUS TF members agree on the adoption of the following recommendations for improving information regarding the efficient use of energy in the Mediterranean area:

- **energy consumers should be properly informed regarding existing policy instruments to promote both demand response and energy efficiency;**
- **information regarding the clever use of energy**, including its economic and environmental benefits, **can easily be initiated at school level**; positive habits will persist when learned, while energy-wasting behaviors will be more difficult to modify;
- an efficient use of energy is the key instrument to lower the energy bill, and **the bill itself should be a fundamental instrument** to help each consumer to use as little energy as possible to satisfy his needs;
- **information on energy consumption in different comparable periods** could be made available, so that each family or SMEs is stimulated to adapt his appliances or habits when consumption are growing;
- **where technically and economically feasible, time-of-use pricing should be introduced** to modify energy consumption patterns, so that to decrease network load and reduce electricity generation average cost.

⁴ “Peak shaving” is defined as a process to shift energy demand from “peak times” (i.e. hottest days) or higher-priced periods to times with lower energy demand (i.e. night and week-end) when the energy costs decrease and thus “shave” the peak.

3.5. THE ROLE OF CONSUMERS ASSOCIATIONS

Consumers organizations play a key role in representing consumers' interests, improving the level of consumer empowerment and identifying market problems. They can represent an important source of information and education, advice and help (in case of complaints) to consumers in energy sectors. Moreover, energy markets are characterized by an information asymmetry between energy companies and consumers, so that consumers associations can help citizens to access the information and services most appropriate to their needs.

For all these reasons, it is important to raise the capacity of consumer organizations, in order to encourage them to make consumers aware of their rights and able to take advantage of these rights in practice.

Each MEDREG participants should work to increase the consumers associations' involvement in the energy sectors, focusing on education and information. Even if the landscape of consumers associations in MEDREG area is quite heterogeneous, in term of existence, size, background and relevance, consumers association of different countries should share some common goals, such as:

- increase the transparency of information and the efficiency of performance and consumption in the energy markets through developing public awareness and citizens' responsibilities over resource use and rising public participation in the decision-making processes at all levels;
- educate consumers on how to save energy, how to exercise their rights and increase motivation to participate in energy markets.

In order to raise consumers awareness about energy issues and their rights and to increase consumers trust and confidence in the energy system, the MEDREG CUS TF recommends that:

- **consumers associations are involved in the decision-making processes** about various aspects of energy sectors regulation;
- **consumers associations are encouraged to participate in governmental and non-governmental committees** to ensure that consumers are represented;
- **consumer bodies can give an adequate contribution to increase the transparency of information to energy users.**