



A New Deal for Europe's Energy Consumers

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Ladies and gentleman,

It is a pleasure to be here today to talk to you about the role of citizens in the energy union.

I have spent more than thirty years representing citizens' interests. First in the Andalusian Parliament, then in the Spanish Parliament; then in the European Parliament and also as Minister for Agriculture and Environment.

Today, as European Commissioner for Climate Action and energy, it is my job to represent over 500 million citizens all over Europe, and to put their interests at the heart of European Energy policy.

My first major project as Commissioner has been helping to design the European Energy Union Strategy.

As many of you know, the Commission launched this strategy just over two weeks ago. It contains five key dimensions – internal market, energy efficiency, decarbonisation, energy security and research and innovation.

There were some who called for a sixth dimension – on citizens.

The Commission's Energy Union Strategy has been designed with citizens at its core, where citizens take ownership of the energy transition, benefit from new technologies to reduce their bills, participate actively in the market, and where vulnerable consumers are protected.

Empowering and involving citizen-consumers and communities will be key to unlocking the full potential of every green energy transition strategy. A successful Energy Union requires the trust of citizens.

But I believe that citizens should not be a single pillar in our strategy, but the foundation that underlies all our thinking.

The next two days will be an excellent opportunity to develop that thinking.

Together we can start on the road to creating a 'New Deal' for European consumers.

I would like to use my speech to say what I think this deal should contain. Then I look forward to hearing the ideas of all of you here.

I think we need to act in three key areas.

- **Market reform** – in particular linking the retail and wholesale markets closer together;
- **Access to information**, especially on prices and costs, both at a Member State Level, and for individual consumers, and;
- **Consumer choice** – be this choice of energy supplier; the choice to feed energy back into the grid; or the choice to group together with other citizens to strengthen consumer power.

So three things – Market Reform, Access to Information and Choice.

Before I go into more detail on these three, let's first take a look at the situation for consumers today, and why we need to act.

THE CHALLENGES

The gas and electricity sectors have undergone a huge transformation in the last twenty years.

EU legislation has helped promote open markets, cross-border wholesale trade, and greater competition.

Competition on the wholesale market has brought more choice and kept prices in check in some European retail markets. And there are now significant switching rates in several Member States:

Portugal held the European record in 2013 with one in four customers changing electricity supplier, whilst Ireland led on gas with over one in six changing. Here in the UK, switching rates for both electricity and gas were above 10%[\[1\]](#).

This shows that some consumers have a genuine choice of suppliers and products, and are taking advantage of this.

But this is not the case across the board. In many Member States reforms have yet to reach consumers.

Switching between suppliers remains complex and overly-bureaucratic for many people, and can take months. In some countries the average is sixty days[2] - well above the EU legal maximum of 3 weeks.

Some citizens already go further than switching. Today and tomorrow we will hear experiences from those that **generate their own electricity**.

Many are success stories, others are about barriers: Too often citizens who self-generate are not allowed to feed their electricity back to the grid. Others are forced to do so, and when they do, they often get a poor deal.

We are not making the most out of **demand-side response**, a failure that's costing up to €100 billion a year. That's almost €200 for every citizen in Europe.

One in ten people cannot afford to properly heat or power their homes[3], which is unacceptable in a modern, developed economy.

Many Member States are regulating retail prices, which blocks new entrants from entering the market. This fails to help those most in need, and ultimately chokes competition.

Then there is the technology issue:

Advanced smart home appliances are on the market but are rarely used. Often they cannot communicate with other devices.

Millions of European homes rely on century-old analogue metering. They have no way of knowing their real energy consumption in any one day.

If Member States live up to their commitments, three quarters of citizens will have a smart meter by 2020, solving this problem. But will these meters be designed truly for the citizens, not just for the suppliers? And what about the remaining 140 million[4] Europeans?

The challenge is clear then. Today, the average European energy consumer remains, on the whole, passive.

And a passive consumer is a wasted opportunity.

SOLUTIONS

So how do we help our consumers move from passive customers to active participants in the energy market?

We need a new, comprehensive approach that tackles problem from every angle;

RETAIL MARKET REFORM

This brings me back to our three key areas – Market Reform, Access to Information, and Consumer Choice.

I would like to start with Market Reform.

Our reforms to the wholesale markets have created more diversity, and more competition.

Now we need to take the next step, and bring the benefits from wholesale markets to the retail markets.

We do this by smashing down the brick wall that separates dynamic wholesale markets from static retail markets in many countries.

Suppliers should offer consumers contracts that mirror fluctuations in the price of electricity in the wholesale markets.

Consumers who want to profit from the ups and downs of prices in intraday markets should be able to do so.

When the wind is blowing strong, consumers could buy electricity cheaper. When the sun does not shine, appliances could adapt to save people money.

This will help balance supply with demand.

In some Member States, contracts based on spot prices[5] are already available. In Sweden and Finland, consumers use them to save up to 30% on their energy bills.

These benefits should be brought to all European citizens.

National regulators should work with Distribution System Operators to ensure such tariffs are available[6].

They should also develop model contracts that could be used across the EU, and report their findings back to this forum.

Better price structures should go hand in hand with better infrastructure. We need to make sure the physical network itself is ready for consumers to profit from flexible pricing.

For this, Distribution System Operators need the right incentives to invest in smart solutions. These incentives must also guarantee reliable networks. Nobody wants black-outs.

This is a difficult balancing act. Network charges already account for a third of energy bills, so new investments should not pile unnecessary costs on to consumer bills. They must be efficient.

The Commission will benchmark that efficiency, so it is clear who is setting the gold standard. This will be to the benefit of consumers, as well as the Distribution System Operators.

But we should go further than benchmarking.

Many of the problems of investment can be overcome with greater cooperation between Distribution and Transmission system operators.

Both are striving for smoother and smarter networks. DSOs should do more to innovate and solve local problems at local level – sharing the burden with the TSOs.

The two groups should work in tandem to keep the grids in shape at the lowest cost. This involves everything from forecasting and balancing to managing consumption peaks and valleys.

The Commission has a role to play in making this cooperation happen.

In the past few weeks, my services have taken the first steps to creating a joint platform between DSOs and TSOs.

Our aim is to formally launch this platform later this year.

This will be a firm step towards proper data management and active information exchange between the two sets of regulators.

ACCESS TO INFORMATION

Together these measures will get the market working for consumers. But to get consumers working for themselves, they first need the right information at their fingertips.

Which brings me to the second area – access to information.

No consumer will change their behaviour unless they understand what's in it for them.

Consumers need access to information that is clear, understandable, reliable and delivered in real-time.

A big success story in this field has been the energy labelling directive.

I am sure everyone in this room has used an EU energy label to buy a more efficient washing machine, fridge, or television.

In all, more than 85% of consumers check the Energy Label when purchasing an appliance, helping them to save up to €450 a year on their energy bills.

These clear labels allow consumers to understand in a second how efficient a product will be, but they could be even clearer.

The energy labelling directive is currently under review, and we are looking at ways to give even greater clarity to consumers.

Later this year we will also add labels for space heaters, which account for hundreds of euros a year on some consumer's bills.

For day to day energy use, what consumers need most of all though, is access to information about how much energy they are using, at what time, and at what cost.

This is the only way for them to see the cost impact of everyday changes.

For heating, simple tools like wirelessly-controlled thermostats can give customers real-time information about their heating use.

This can significantly reduce the cost of heating and cooling, which accounts for 70% of the total household energy bill.

As I said at the European Heating and Cooling Conference two weeks ago, our new heating and energy strategy will look at ways to reduce consumer heating bills.

On electricity, we already have a target for 80% of households to be equipped with a smart meter by 2020.

And we have a clear picture of what a smart meter should be able to do.

Following an extensive consultation, we concluded every meter should have features that help not just the operator and supplier, but also the consumer.

That means they should give updated readings at least every fifteen minutes, which the consumer has access to. Otherwise people will remain just as in the dark about their electricity use as before.

They should also support advanced contracts – there is no point changing the market rules if consumers don't have the tools to take advantage.

In short, meters shouldn't just give consumers information; they should help people do something useful with that information. Without this, they are being short-changed.

I am concerned that some of the smart meters that Member States plan to roll out will not include these features.

So I will propose that the Commission monitor the functions of smart meters. From this benchmarking, we will decide if further action at a European level is needed.

We may only get one shot at national rollouts of smart meters, so we should get it right.

There is an open question of whether we should go further. Should consumers have the right to a smart meter? Should they be able to choose to buy one if they are not included in national roll-out plans?

This is a question I think this forum should address. I look forward to hearing the results of your discussions.

Of course, people will only trust new technologies like smart appliances if they know their data is secure.

Data should only be shared with the clear consent of the consumer and its security must be guaranteed.

This is an issue that affects many industries. The Commission is preparing a consistent legislative framework on two pillars: –

- the Network Information Security Directive – that will require critical infrastructure operators to assess the risks and ensure security – and
- revising the Data Protection Regulation – that will ensure a high level of protection for consumers and enhanced control over their own data.

That law will only come into force in two years at the earliest.

But we should not wait. I want the energy industry to be one of the first to come up with our own controls, well in advance of any compulsory requirements.

The Commission has already got the ball rolling. In October we issued a recommendation with a template^[7] for member states to use to protect personal data in smart grid and metering systems.

During the next 18 months we will fine-tune it together, starting with the session on data protection later today.

It is important we get this right. Data protection matters for consumers. We should act sooner rather than later to make sure their concerns are answered.

Even with the rollout of secure, safe smart meters, bills will continue to play a part in informing people about how much energy they use.

The average consumer spends ten minutes a year thinking about their energy use. Most of that happens when they look at their bills.

Few of us look forward to receiving them through the letterbox. But I think many would appreciate better, simpler and more accurate bills – both for gas and for electricity.

A good bill should allow consumers to easily compare what they are paying against other offers in the market. And it should allow people to compare their usage with other consumers. After all, there is no better incentive to save than a bit of friendly competition.

We need clarity across the industry on what information bills should include. The New Deal for consumers will tackle this challenge.

This Forum has, over the years, already collected best practice on bills. I know many groups here today have been working on this issue recently. I would encourage you to extend this discussion to advertising and communication material and to share the results with the Commission ahead of the launch of New Deal in the summer.

And finally on access to information, we need a better understanding on a national level of how taxes and

levies are affecting consumer prices and competition.

As part of the Energy Union package, we will produce reports every two years on energy prices that will show, in detail, the impact of subsidies and taxes.

This information should be out in the open, for consumer think tanks, consumer groups and citizens to scrutinise. We all have the right to know what we pay for actual energy, and what we pay for other costs.

This will be a step on the road to eventually phasing out regulated prices below the cost of energy. Open, market-based prices are the best way to reward active consumers and generate investment. They are also the strongest defence against tariff deficits, which simply delay costs, and benefit nobody in the long term.

Let me clarify one related issue; Phasing out regulated prices does not mean phasing out support to vulnerable consumers. That support is essential but it must be targeted only to those who need it.

Again, this Forum has worked on best practices for helping vulnerable consumers are far less costly than general price regulation. Today we will learn more about those.[\[8\]](#)

Together these steps will make people aware of what they are paying for, at what time and at what price.

They will help people see right away, and not just once a year, how they can bring down their bills. Be it by turning down the thermostat, creating their own energy or changing their contract.

CONSUMER CHOICE

But information counts for nothing without the power to act on it.

This brings me to the final area: consumer choice.

Consumers need:

- The power to choose who they pay their bills to;
- The power to decide how they use electricity that they generate;
- And the power to act alone, or as part of a collective group.

Let's start with the issue of choosing who they pay their bills to.

Energy suppliers provide a service, and if someone can do it better, for less money, people should be able to change with the click of a mouse.

Here in the UK, the government and regulators have made great strides in making switching easier. Many other Member States are moving in the same direction.

European law from 2009 requires that supplier switching should be easy, free and carried out within three weeks of a request from the consumer.

Sadly, this is still not the case in too many Member States. So the Commission will benchmark existing practise and enforce current law in cooperation with national regulators.

Apart from time, trust is also crucial in switching.

Every time a consumer switches and ends up losing money they lost faith in the process. Consumers should trust that comparison tools will help them avoid this.

So as part of the New Deal, the Commission will look at ways of making comparison tools more transparent and more reliable.

As I have said, some people are going beyond switching and choosing to generate, store and partially sell their own electricity.

In Germany 35% of installed renewable energy sources are owned by private individuals and 11% by farmers[\[9\]](#).

If we get the incentives right, this can act as a balancing tool for the grid overall, and so should be encouraged.

Most of all, consumers should not face barriers if they go down this path. There should be no obligation to sell electricity to third parties. In short, if you generate electricity, then it belongs to you.

On the other hand, people with their own generation often still need to keep their connection to the grid as a back-up. This must be allowed. Of course, they will need to contribute to grid costs in a fair manner. Tariff systems should be designed to ensure this from the outset. This will avoid the need for extra charges, which could be perceived as penalising self-consumption.

Member States need to address these issues and remove barriers to self-generation through national legislation.

The Commission will also play its part, and provide guidance on this matter in the near future.

Just as some consumers want to generate their own electricity individually, others want to group together in their dealings with energy suppliers.

Many consumers see a benefit in delegating their decisions to intermediaries, who act on their behalf. They should be free to do this.

In some Member States, collective schemes and community initiatives, including switching campaigns and micro generation cooperatives, have already taken off.

Tomorrow we will hear how citizens in Belgium have set up a cooperative with 47 000 members and full ownership of their renewable energy installations.^[10]

These initiatives are a growing part of the future market design. They should be encouraged and become an option for as many consumers as possible.

I will work with the Covenant of Mayors, the bottom-up initiative of 6300 cities and communities, to make this happen.

I am very pleased that the Covenant of Mayors is represented here today for the first time at the Citizens' Energy Forum.

There is great potential to involve the Covenant not just to help us reach our climate targets, but also to strengthen the power of consumers.

CONCLUSION

In conclusion, our New Deal for Consumers will include a number of concrete measures to put consumer at the heart of the energy market.

- **First**, we will make switching easier with better transparency and reliability of price comparison tools
- **Second**, we will reform the market to bring in demand side flexibility
- **Third**, we will encourage network investment by DSOs and further roll-out of smart meters by benchmarking best-practise
- **Fourth**, we will create a new platform linking DSOs and TSOs;
- **Fifth** we will publish reports every two years on national energy prices;
- **Sixth**, we will provide guidance on self-generation.

- And **seventh**, we will promote more community initiatives through the Covenant of Mayors.

This list is not final, and not exclusive. The next two days are a great opportunity to add to it and refine it

Together, we can create a new deal that's a bargain for all Europe's consumers and will mean:

- A market that works for consumers, not just producers;
- A new phase of open and freely available information;
- And consumers with full powers to make their own choices

Thank you for your attention.

[1] http://www.acer.europa.eu/Official_documents/Acts_of_the_Agency/Publication/ACER_Market_Monitoring_Report_2014.pdf, p. 69.

[2] http://www.acer.europa.eu/Official_documents/Acts_of_the_Agency/Publication/ACER_Market_Monitoring_Report_2014.pdf, p. 219.

[3] Source: Eurostat (SILC-Survey 2013).

[4] 28% of EU population that are not to receive a smart meter according to MS commitments in the 2014 benchmarking report

[5] ACER terminology.

[6] ACER commissioned a study on DSF: http://www.acer.europa.eu/Official_documents/Acts_of_the_Agency/References/DSF_Final_Report.pdf.

[7] Recommendation on the Data Protection Impact Assessment Template (DPIA Template) for Smart Grid and Smart Metering Systems in October 2014

[8] Session 2 on Retail market trends discusses them

[9] German Agency for Renewable Energy, 2013.

[10] Mr Vansintjan represents this cooperative (Ecopower) in the last session

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