

Citizens' Summary

ACER-CEER Market Monitoring Report on EU Electricity and Gas Markets in 2013

Despite a general decrease in wholesale energy prices, electricity and gas household prices in the EU rose by 4.4% and 2.7% respectively, reveals the ACER-CEER Market Monitoring Report.

WHAT'S THE ISSUE?

- The main objectives of the [Third Energy Package](#), the EU energy legislation adopted in 2009, are to create an efficient, secure, sustainable internal market in electricity and gas, and to provide choice for consumers in selecting their electricity and gas supplier for them to benefit from energy prices that reflect costs and are non-discriminatory. The Agency for the Cooperation of Energy Regulation (ACER), established by the Third Energy Package is mandated, among other important tasks, to monitor the benefits of the Internal Energy Market on the consumers.
- The latest Market Monitoring Report, presented on 22 October 2014, reveals that consumers are yet to fully yield the benefits of the internal energy market.

WHAT ARE THE MAIN FINDINGS OF THE REPORT?

- Despite the economic downturn and a general decrease in wholesale energy prices, consumer prices in 2013 for electricity and gas increased in the majority of EU Member States. Household electricity prices rose by around 4.4% and household gas prices by 2.7%, with respect to the previous year. These prices continued differing considerably across national markets, with no sign of convergence.
- Where final household prices increased the most, the price growth was driven primarily by non-contestable components (i.e. network charges, taxes and levies, and VAT) as opposed to the energy component. In all European countries (except Malta, Ireland, Cyprus, Greece and the UK) the non-contestable charges make up most of the final electricity price.
- Regulated prices remained a prominent feature of European retail markets in both electricity and gas, although some progress towards their removal was recorded last year. The report identifies a vicious circle in many Member States wherein a lack of competition results in low switching rates, which is sometimes used to justify regulated tariffs which, in turn, hamper competition.
- The report reveals little responsiveness between wholesale and retail electricity prices as well as increasing mark-ups (i.e. the difference between the energy component of the retail price and the wholesale energy cost) in several Member States where retail markets have been fully liberalised. Therefore, the advantages of the single market, such as lower wholesale electricity prices, are still not fully translated into benefits for final consumers.
- Barriers to market entry, including cross-border entry, persist in many national retail markets, thus hampering consumer choice and retail competition.

- The analysis of wholesale electricity markets shows that market coupling (merging trading activities from several power exchanges) has facilitated price convergence and electricity trading within the same day has made the integration of renewables into the market easier. The report also shows that additional savings from further market integration is expected. This includes additional 400 million euros per year of 'social welfare gain' when market coupling is fully implemented and substantial benefits (in the order of several hundred million euros per year) are achieved from the exchange of balancing services.
- Although the wholesale gas price convergence is improving, imperfect integration and retail market fragmentation throughout the EU have led to significant social welfare losses for European energy consumers, in the order of several billion euros in 2013 (gross of the cost of any required investment in new transmission or transportation infrastructure).

WHAT FINDINGS OF THIS REPORT ARE ESPECIALLY RELEVANT FOR CONSUMERS?

Consumers are not fully benefiting from competition and energy market integration in EU. Opportunities for consumers to get a better deal by switching are available, yet consumers' inertia is present. Switching rates remain low and the majority of electricity and gas consumers do not actively participate in the market. They are not exercising choice among available suppliers, neither among different price and product offerings. This is mainly due to the existence of regulated prices, lack of awareness of switching opportunities, loyalty to incumbents and distrust of alternative offers and perceived complexity of the switching process.

WHAT RECOMMENDATIONS ARE DRAWN?

- Consumers must play their role by exercising their right to switch and thus place competitive pressure on suppliers to deliver best services at the best prices. National regulators should continue playing an active role in enforcing consumer rights and raising awareness about switching. A combination of transparent and reliable price comparison tools, better information on roles and responsibilities of distribution and supply companies and a simple and efficient process for switching supplier will contribute to improving switching rates. Regulators have committed to a series of concrete actions (see the [ACER Bridge to 2025 Conclusions Paper](#)) to protect and empower consumers to participate actively in energy markets.

WHY SHOULD THIS MATTER TO ME AS A CITIZEN?

- As a citizen, by reading the results of the report, you can become more aware of the opportunities available through retail competition and supplier switching, obtain better deals and reduce your energy bills.

BACKGROUND TO THE MARKET MONITORING REPORT

- One of the tasks of the Agency for the Cooperation of Energy Regulators (ACER), established as part of the Third Energy Package, is to monitor and analyse developments in the EU's gas and electricity markets. The results of this activity are presented every year in the annual Market Monitoring Report. [This year's ACER/CEER Market Monitoring Report](#) was, for the third time, produced jointly with the Council of European Energy Regulators (CEER) to provide as complete an analysis as possible of energy market developments. It is an independent report, based on data provided by National Regulatory Authorities for energy, the European Commission, and the European Networks of Transmission System Operators (ENTSOs) for electricity and gas, as well



as publicly available data collected by the Agency. It focuses on consumer and retail market developments. It also brings together different aspects of market integration, with special emphasis on wholesale gas and electricity markets and network access.

USEFUL LINKS

[Third ACER-CEER Market Monitoring Report](#), presented 22 October 2014.

ACER Regulation: <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:32009R0713:EN:NOT>.

[ACER Bridge to 2025 Proposals](#), presented 23 September 2014.