

Agency for Cooperation of Energy Regulators
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1000 Ljubljana
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Dear ACER

Energy Regulation: A Bridge to 2025

British Gas supports consumers having a strong voice in the development of Europe's energy market. Regulatory developments in the British energy market, such as Ofgem's Retail Market Review, have shown the importance of regulators engaging with consumers to understand what works and what areas of the market may benefit from regulatory intervention to promote competition.

We believe ACER and CEER engage effectively with consumers through events such as the London Forum and through regular engagement with consumer groups. To strengthen the voice of the consumer in European energy policy, we make three recommendations.

- **Regulation should promote competition and facilitate innovation to benefit consumers now and in the future.** Competitive and liberalised energy markets place consumers at the heart of energy policy. Suppliers engage with customers on a daily basis and only thrive if they serve customer needs. Competitive pressures also encourage innovation and the development of new products. Any regulations introduced either at the European or national level should promote competition, facilitate innovation and be flexible enough to handle future, e.g. technological, changes in the market.
- **Ensure regulation achieves the right balance between promoting simplicity and enabling innovation.** European energy consumers are not homogenous and different consumers have different needs. Some consumers find the energy market difficult to navigate and we support moves to enhance simplicity and consumer understanding. Other consumers want to manage their energy more closely and in a sophisticated manner. The regulatory approach should seek to strike a balance between promoting simplicity, e.g. by making tariffs easy to compare and bills easy to understand, and enabling innovation, e.g. through the sophistication of smart meters and smart grids to tailor and reduce energy costs.
- **The future role of DSOs should be appropriate to the market structure of each Member-State.** The role of DSOs differs across Member-States. Any approach adopted at the European level should recognise the specific market structures in place. For instance, DSOs do not own the customer relationship in the UK context.

You will find a full response in the Appendix to the questions relating to Consumers and DSOs.

Please don't hesitate to contact me if you have any questions about this response or would like to discuss in more detail.

Yours sincerely

Thomas Lowe

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British Gas

Appendix

C1. Do you think that further European level measures should be taken to enhance the operation of retail markets to the benefit of consumers?

The Commission and ACER have an important role to play in promoting competition, encouraging investment and reducing barriers to entry. Competitive pressures lead to better customer service and greater innovation and the Commission has helped to promote consumer engagement and effective competition through the Third Package and Energy Efficiency Directive. Member-States are at various stages in the liberalisation of their energy markets and we support further European level measures to encourage the opening up of markets to competitive pressures.

While European level measures may have a role to play, we believe that more detailed regulation is often best managed by independent National Regulatory Authority (NRAs). NRAs are well-placed to understand the specific requirements of their consumers and deliver regulatory solutions to encourage increased competition, more market entry and better customer outcomes. For instance, British Gas strongly supports the innovative use of principles-based regulation by Ofgem and welcomes the focus on customer fairness.

European consumers are not homogenous and different consumers engage in different ways. Some consumers find the market difficult to navigate while others want to manage their energy in a sophisticated manner. Regulatory authorities need to strike a balance between protecting consumers and encouraging engagement with more innovative products. This may involve creating a baseline for simplicity and comparability but allowing for more sophisticated engagement through more complex tariffs and products.

Smart meters and smart grids will help deliver increasingly sophisticated energy products, including Time of Use tariffs and consumer-led demand management. Developments in these areas need to be accommodated within existing regulatory frameworks to maximise consumer benefit.

Smart meters also increase the amount of data available to consumers, which can aid consumer decision-making, e.g. about the most appropriate tariff. This data which needs to be managed securely and we welcome the Commission's recognition that consumption data should only be provided to third parties with the consumer's express permission, e.g. via a Letter of Authority. ACER and NRAs may want to review the role of such third parties in the energy market.

C2. Can you suggest ways in which we could enhance the voice of consumers in the development of Europe's energy market?

We believe it is important to ensure that the voice of the consumer is heard in European institutions and throughout the policy-making process. European consumers are well-represented through events such as the London Forum and through ongoing engagement with European associations such as BEUC and national organisations such as Consumer Futures (and Citizens Advice from April 2014) in the UK.

European consumers are not homogenous and each Member-State contains different groups of consumers with different priorities. We would recommend that ACER continue to seek contributions from as disparate a group of organisations as possible. Energy suppliers engage with customers on a daily basis and, through regular interaction and consumer research, understand what motivates and

interests energy consumers. To maximise the information available to ACER, it is important that suppliers and trade associations such as Eurogas, Eurelectric and Energy UK are involved in the decision-making process. We welcome ACER's openness to discussion.

C3. What are the main questions that you consider the proposed CEER review should address with regard to the future role of DSOs and also to ensure that the regulation of distribution networks remains fit for purpose in 2025?

Member-States may have different market structures and so the role of the DSO may not be consistent across Europe. Any review by CEER, or any other European body, should recognise that some Member-States take advantage of a supplier-led market structure in which DSOs do not hold a direct relationship with consumers.

We recognise that Demand-Side Response (DSR) is high on the European agenda. We see the potential for DSR, have supported moves by the UK Government to encourage DSR and recognise its role at both a national and European level. The DSR regulatory framework should take into account the different models across Europe and should facilitate the participation of suppliers and third parties.

We believe it would be inappropriate if DSOs were allowed to use any regulated returns to invest in DSR and, in the British case, we support recommendations that electricity DNOs interested in DSR should establish a ring-fenced company. We would also recommend that either the provider of DSR or the final consumer be required to inform the supplier that they are taking DSR. This will help suppliers manage predictable changes in demand and prevent the creation of system imbalances.

