

Consumers still to benefit from energy market integration in the EU

Brussels, 28 November 2013

Despite the economic downturn, gas and electricity prices rose significantly in 2012 according to the latest market monitoring report¹ presented today in Brussels by the EU Agency for the Cooperation of Energy Regulators (ACER) and the Council of European Energy Regulators (CEER). On average, electricity prices for households increased by 4.6% in 2012. Gas prices rose by 10%. Price regulation² did not prevent an increase in the electricity and gas bills.

According to Lord Mogg, Chair of ACER's Board of Regulators and CEER President: *"The advantages brought about by the single market, such as lower wholesale electricity prices or a more efficient use of interconnectors identified in the study, still have fully to benefit final consumers in the retail market."*

"Delivering greater benefits to European consumers also requires completing the Internal Energy Market, while removing barriers to retail competition. Effort to achieve this goal by the end of 2014 should be stepped up through full implementation of the third package, adoption of the network codes and their early implementation. Any delay will cost European consumers billions of Euros annually", said ACER Director, Alberto Pototschnig.

- **How can consumers get a better deal?**

Switching supplier is a way in which consumers can obtain better deals³. However, consumers in the EU seem not to take full advantage of this opportunity. In some jurisdictions, this is due to insufficient competition. In fact, network charges, taxes and other administratively set charges, including those to cover the costs of renewables support schemes – which may together account for up to half the energy bill – reduce the fraction of the overall energy price on which retailers can compete. This is aggravated by rising commodity prices in the gas sector. However, even where competing suppliers operate in the market – and a number of Member States have witnessed a growth in the presence of foreign energy suppliers, according to the report - and switching may deliver savings, most consumers show inertia, mainly due to a lack of awareness, consumer loyalty or risk aversion.

- **What is the status of energy market integration?**

ACER and CEER have identified a general degree of progress in terms of price convergence on European wholesale gas and electricity markets and a more efficient use of the network – with the average utilisation rate of the high-voltage grid increasing from 60% at the end of 2010 to 76% in 2012. However, in some areas of Europe⁴ the challenge posed by the integration of renewables is leading to a decrease in the degree of price convergence when compared with the previous year.

The report also found that, although gas is now more often traded on spot markets, there are still quite a few oil-linked contracts which, together with a lack of clarity in cross-border tariffs, cause some economically inefficient gas flows from more expensive areas towards cheaper ones. Furthermore, the study shows that as demand decreases, contractual congestion declines and liquefied natural gas is increasingly being diverted away from Europe.

ENDS (See Notes for Editors on next page)

Notes for Editors

- (1) The [Annual Report on the Results of Monitoring the Internal Electricity and Natural Gas Markets](#) presented on 28 November 2013 fulfils the Agency's mandate established by Article 11 of [Regulation \(EC\) No 713/2009](#). It covers retail prices for electricity and natural gas, access to networks (including network access by electricity produced from renewable energy sources), and compliance with the consumer rights laid down in [Directive 2009/72/EC](#) and [Directive 2009/73/EC](#). By producing a joint report, ACER and CEER aim to provide as complete an assessment as possible of progress towards the implementation of the [Third Energy Legislative Package](#), focusing on the remaining barriers for the completion of well-functioning electricity and gas markets in 2014.
- (2) Eighteen out of 27 EU Member States (from next year, this report will also cover Croatia, which joined the EU on 1 July 2013) in electricity and 15 out of 25 MSs in gas are still applying regulated prices to household consumers. Since 2008, about one half of EU households have consistently been subject to regulated energy prices. In some of these countries, market prices (when available) tend to cluster around the regulated price. In order to continue promoting market entry, retail price regulation should be removed when the main barriers to entering retail markets have been addressed.
- (3) The report detected that company switching is happening, to a larger extent, in Ireland, Germany, and the Netherlands, while it is stabilising in more mature markets such as Great Britain's.
- (4) For instance, in 2012, the Central-West Europe (CWE) region recorded a remarkable decrease in terms of electricity price convergence (down by 18%) compared with 2011.
- (5) The 2012 [National Country Reports](#) by each National Regulatory Authority are now available on the CEER website www.ceer.eu

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