


**ACER**

 Agency for the Cooperation  
of Energy Regulators

# Retail market competition in gas

**2<sup>nd</sup> ACER workshop on the  
GTM review and update**

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**Ljubljana, 19 March 2014**

- Retail price contestability
- Retail competition
- What can be changed?

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## Very significant differences in prices for households

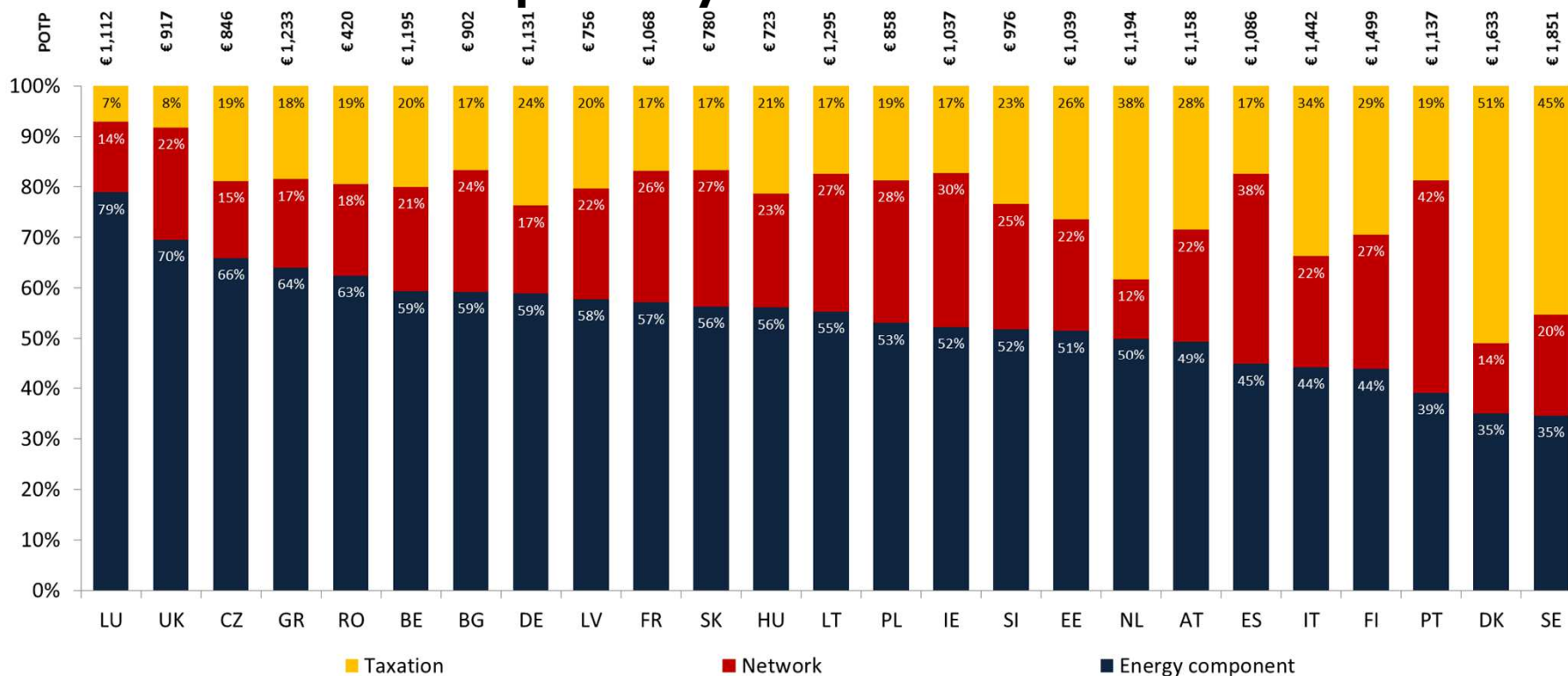
### Natural gas POTP for households across EU27 – 1<sup>st</sup> semester 2013



Source: Eurostat (2013).

**Relevant part of differences explained by distinct network charges and taxes ... however, energy component still plays a relevant role**

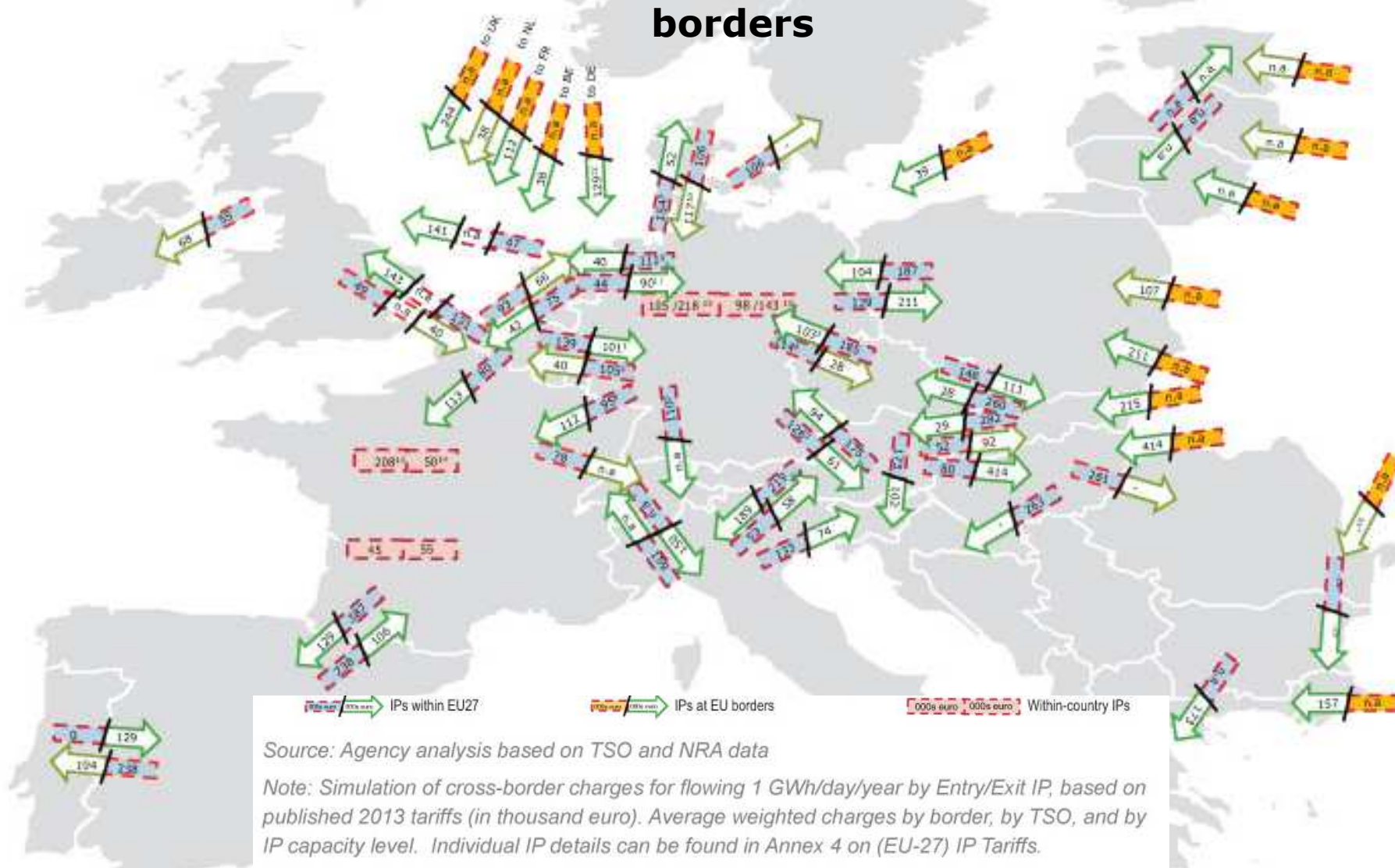
## Households POTP breakdown – Incumbent standard offer - capital city - December 2012



Source: ACER database based on information from suppliers.

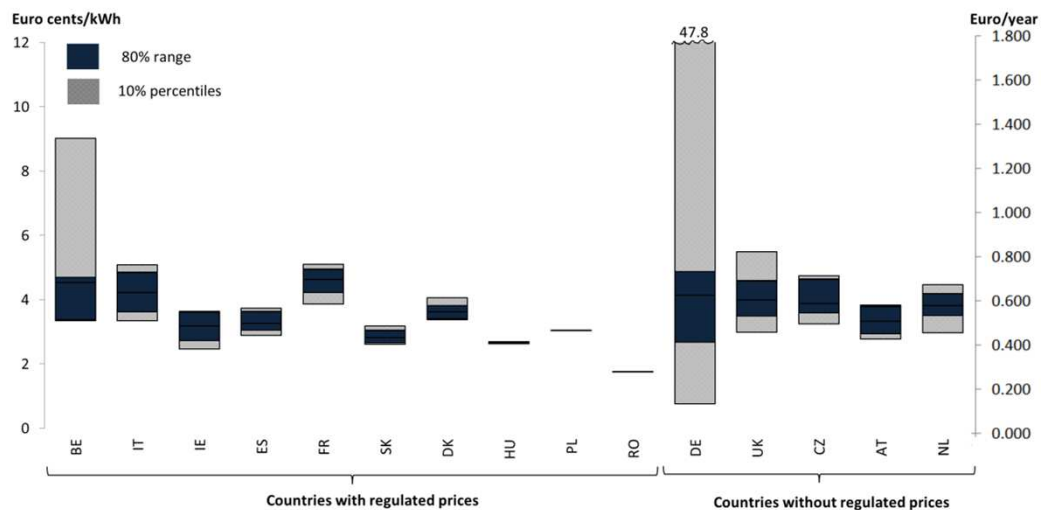
## Can network charges be harmonized?

### Average gas transportation charges through the EU-27 borders



## Is the energy component contestable?

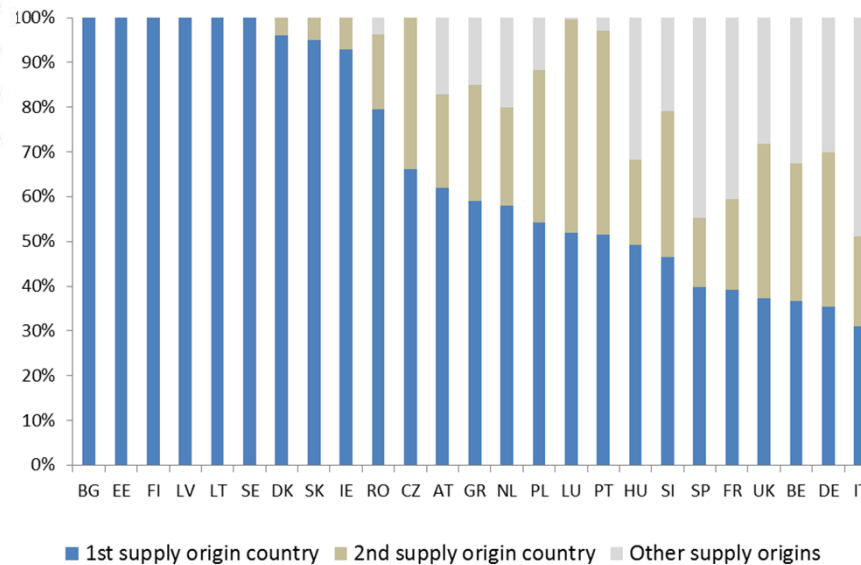
### Retail price energy component dispersion - Households - December 2012 - Capital cities



Source: ACER database based on information from suppliers.



### Estimated market share of the main natural gas suppliers - 2012

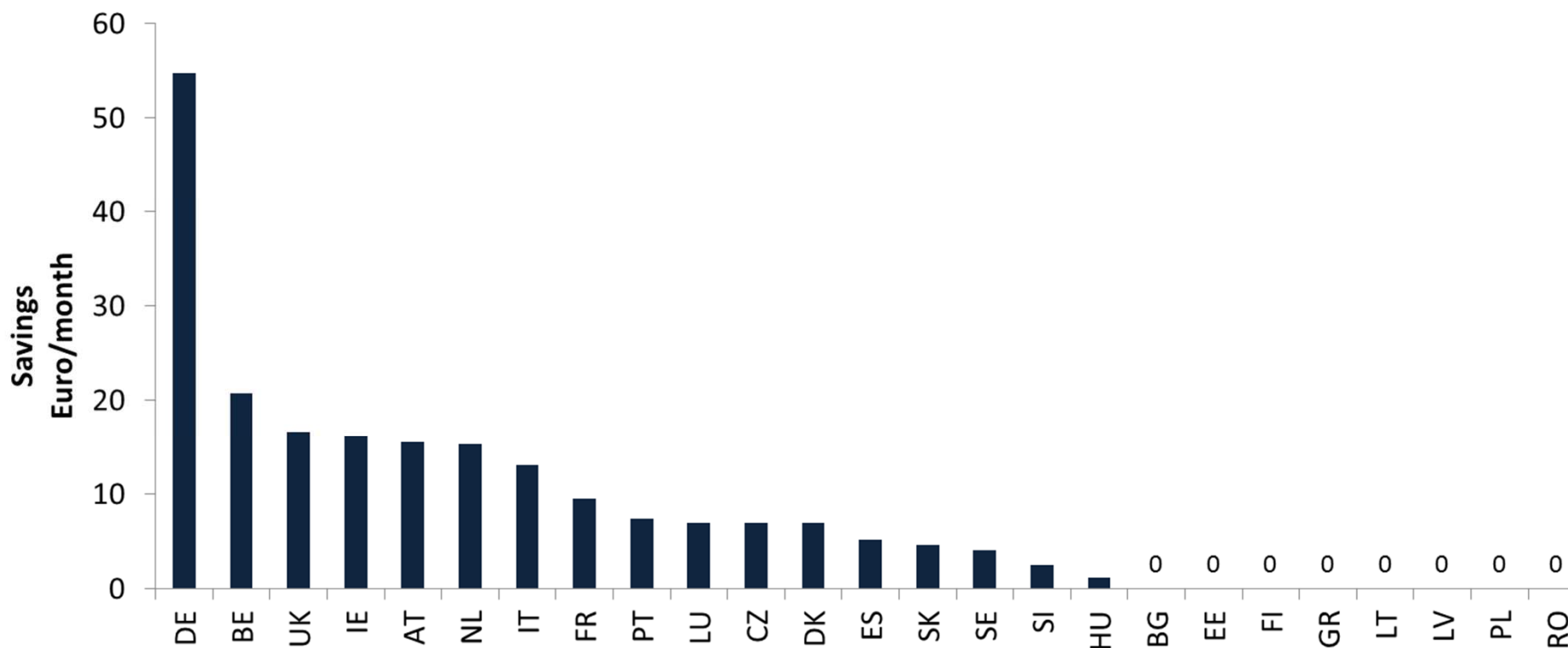


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## Retail price competition will only be effective if consumers can obtain relevant savings

**Average monthly potential savings from switching - 2012  
 (incumbent standard->Lowest price offer)**

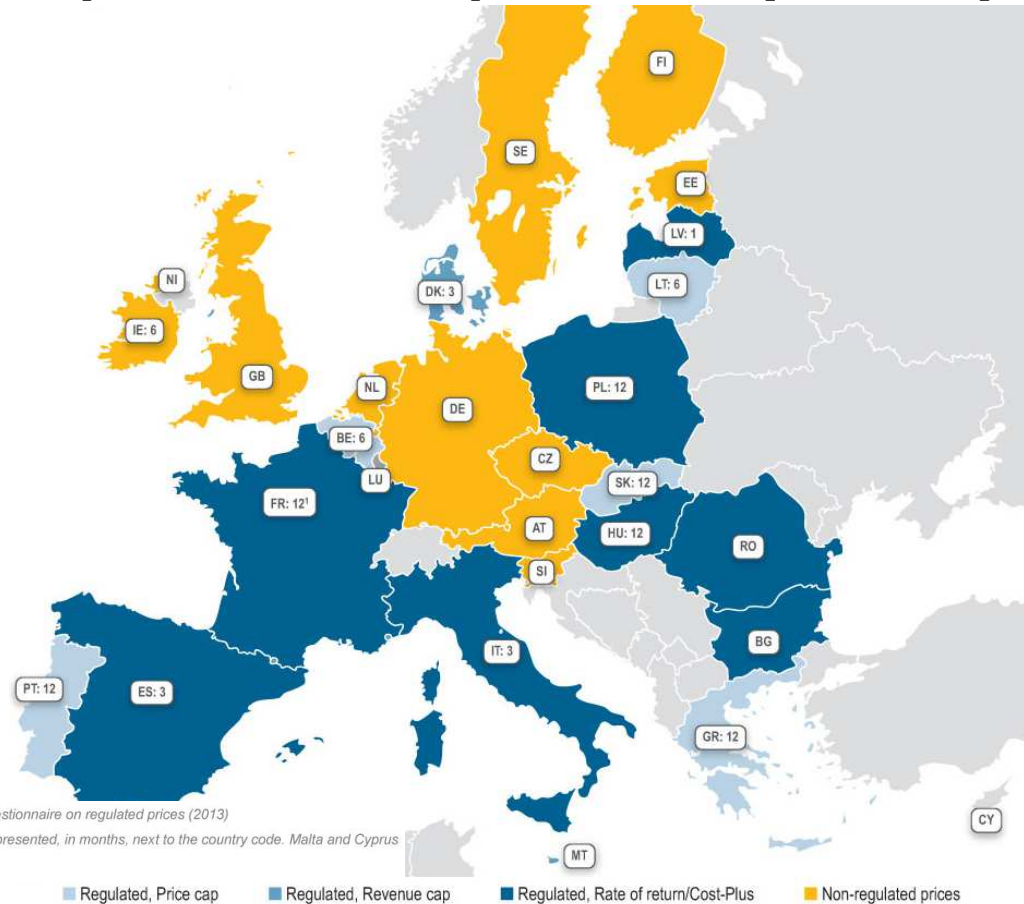


Source: ACER database based on information from suppliers.

## Retail competition

**Retail price regulation prevails in Europe and in many circumstances doesn't allow for price differentiation**

**Price regulation method and frequency of energy component updates in Europe – 2012 (Months)**



Sources: CEER National Indicators database (2013) and ACER questionnaire on regulated prices (2013)

Notes: The frequency according to which the MS updates prices is presented, in months, next to the country code. Malta and Cyprus have no commercial gas sector.

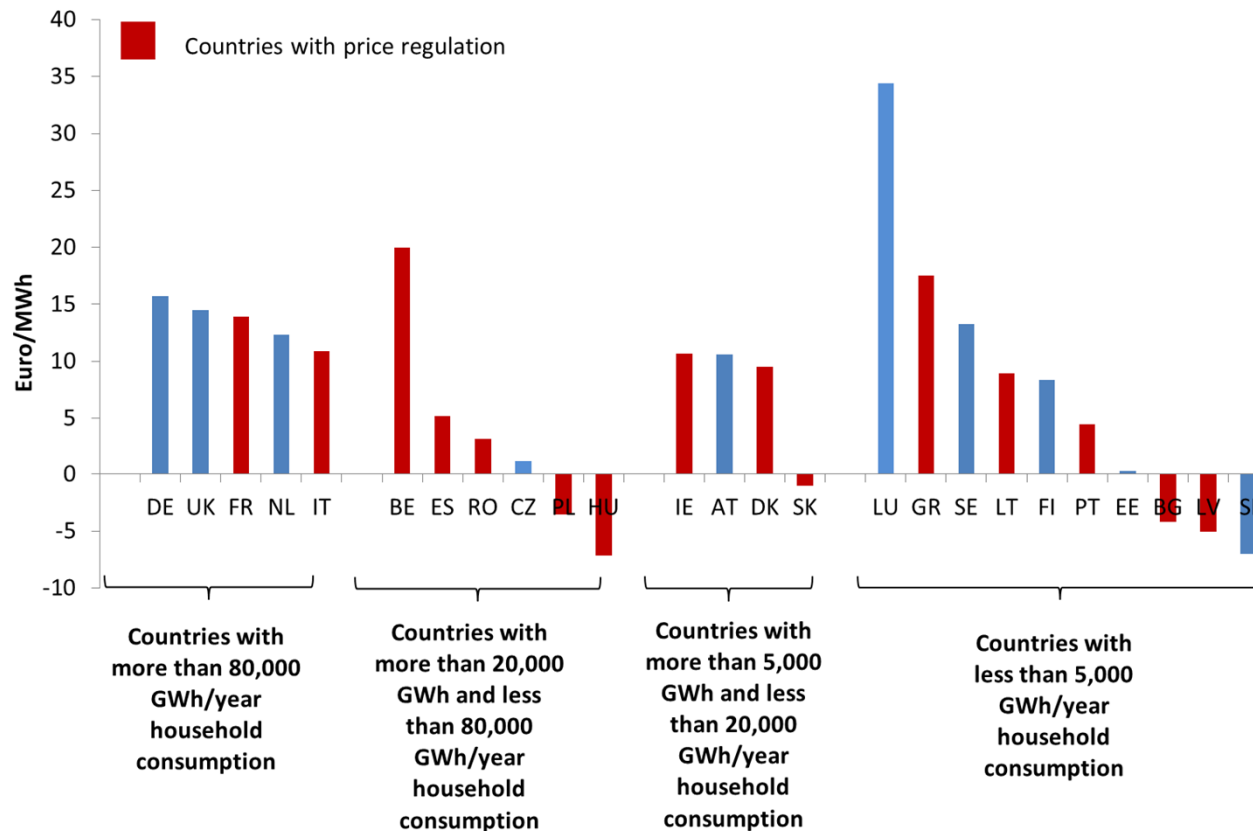
### From mezzanine solutions to limit price regulation impact on competition to full range solutions



- Safety net regulation
  - As a transition measure for a fully liberalised market?
- Full retail price liberalization in all market segments
  - Can competition law ensure adequate levels of competition?
  - Are there structural factors that facilitate tacit collusion?
- Real time pricing?
  - Can it be applicable in gas retail?

## Retail mark-ups reflect the impact of price regulation but also different levels of competition

### Incumbent standard offer retail markups - December 2012 – Capital city - Household markets



Source: ACER based on ACER retail database (2012), Comext database revised by ACER (2013), ICIS Herren (2013), Eurostat (2013).

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## What can be changed?

- The retail price regime
  - Phase out retail price regulation
- Network charges that create context costs and may deter cross border entry
  - The differences in network charges, arguably resulting not only from different underlying costs but also from different methodologies in use by NRAs at TSO and/or DSO level (asset eligibility, asset valuation and asset remuneration)
  - Is there room for efficiency benchmarking?
- Levels of retail price transparency and comparability
  - Comparison instruments (Standardised fact sheets, TCR,...)
  - Collective switching platforms
- Wholesale markets liquidity
  - Critical to facilitate entry
- Access to Balancing Markets
  - Reduce the economies of scale necessary to effectively use BM

**Thank you for your attention!**



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