
A EURELECTRIC Position paper
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In line with its mission, EURELECTRIC seeks to contribute to the competitiveness of the electricity industry, to provide effective representation for the industry in public affairs, and to promote the role of electricity both in the advancement of society and in helping provide solutions to the challenges of sustainable development.

EURELECTRIC’s formal opinions, policy positions and reports are formulated in Working Groups, composed of experts from the electricity industry, supervised by five Committees. This “structure of expertise” ensures that EURELECTRIC’s published documents are based on high-quality input with up-to-date information.

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EURELECTRIC pursues in all its activities the application of the following sustainable development values:

**Economic Development**
- Growth, added-value, efficiency

**Environmental Leadership**
- Commitment, innovation, pro-activeness

**Social Responsibility**
- Transparency, ethics, accountability

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Energy Efficiency Directive
Focus on Article 8/Annex VI and Article 12/Annex XI

WG Retail Markets
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EURELECTRIC is following with great interest the on-going debates in the European Parliament and in the Council on the Energy Efficiency Directive. This paper is part of a broader list of publications that EURELECTRIC has prepared to detail its views on aspects currently under discussion:

- EURELECTRIC views on the proposal for a Directive on Energy Efficiency (September 2011)
- The role of CHP in the proposed Energy Efficiency Directive (October 2011)
- The role of DSOs on Smart Grids and Energy Efficiency (January 2012)

Art. 8/Annex VI (Metering and Informative Billing)

Consumers should be given every opportunity to use their energy more consciously. EURELECTRIC thus welcomes the overall aim of the directive to strengthen and clarify aspects related to metering and billing. At the same time, we would like to underline several important points:

Information provision and billing

Once smart meters are rolled-out, customers will be able to receive accurate information based on actual consumption.

- The Directive should differentiate the metering requirements depending on whether smart meters have been rolled-out or not.
- A clear distinction should be made between information provision and billing. While information could be provided as regularly as the smart meter allows, it wouldn’t make sense to ask the same for billing.
- It is fundamental to distinguish electronic from hard copy information. Information on paper in a short cycle would dramatically increase costs and finally use up more than the savings which might be generated from that service.
- The concept of “back billing” should be clearly defined. If “prohibiting back billing” means that correcting a bill would be forbidden once smart meters are installed, this should not be included in the directive. Indeed, the roll-out of smart meters will unfortunately not prevent mistakes in billing. Moreover this provision has no link with energy efficiency.
- Providing customers with ever more information is not the best way to empower them. In many countries, customers already complain that there is too much information on their bills, which makes them unclear and difficult to read. It should be up to customers to decide the level of information they want to receive from their suppliers.
- New communication technologies and innovation may change the way energy suppliers and ESCOs communicate with their customers. In the near future, bills may no longer be the best solution to provide information to customers. Smart appliances like display devices or individual feedback services on the internet will play a greater role in monitoring or optimising customers’ energy consumption. As such, regulation should not hamper or prejudge these developments.

**Energy efficiency services and products**

In a well-functioning demand-response market where smart meters have been rolled out, supply companies will innovate in terms of services and contract types (billing frequency, level of information, type of generation fuel mix…) and customers will be able to choose from a range of products and companies and pay the price that reflects the services they want. The provisions of the Directive should thus be designed so as to lay down the foundation for a competitive market for energy efficiency related products.

- The Directive appropriately provides for easily understandable information and billing format; nevertheless it should not be overly prescriptive (“compare deals on a like for like basis”, “summary box on the front of each gas and electricity bill”, “standards for information on bills and lay-out for invoices”…). Too rigid and systematically applied rules may hamper innovation and discourage companies from developing new products (at the expense of customers). Companies competing on a market have a natural incentive to offer products designed to please customers.

- The provisions on billing should leave room for different billing methods (including direct debit billing) and frequencies according to customers’ needs, use and preferences. Once smart meters are fully rolled-out, energy companies could for instance offer customers monthly bills based on actual consumption. They could also propose an equally spread payment scheme with an annual reconciliation bill, in which case customers would still be able to receive frequent information on actual consumption through other means such as mobile phones, in-house displays, or the Internet.

- The presentation of consumption in relation to historical consumption or running costs and the provision of useful information for a more detailed "self-check" does not fit within the minimum requirements of Annex VI.
Information exchange and access to data

Access to metering data is one of the most critical processes for a well-functioning electricity retail market not only in terms of supplier switching but also for the sake of raising consumer’s awareness on their actual consumption as well as their potential to reduce it.

- Customers should always be able to access the data they need to shift their consumption.
- As it is unlikely that all household customers would want to spend a lot of time and effort analysing data and modifying their usage to optimise their bills according - for instance - to changing wholesale prices, this task could be done on their behalf by energy suppliers and ESCOs.
- Customers have different needs, lifestyles, preferences and potential for being flexible in how they use electricity. To be able to develop innovative products based on customers’ profiles and expectations, energy suppliers, ESCOs and third parties need a timely, transparent and non-discriminatory access to metering data. Network operators on the other hand need to access the technical data (e.g. metering point identification number) necessary to manage the grid effectively.
- Data security and privacy are crucial. Customers should decide who has access to their data and for what purpose. At the same time, a privacy framework that protects customers, yet enables new services and technology, is essential.
Art. 12/Annex XI (Energy transmission and distribution)

System services

Art. 12 par. 1 and Annex XI of the directive foresee that “network regulation and tariffs shall allow network operators to offer system services and system tariffs for demand response measures, demand management and distributed generation on organised electricity markets”. Annex XI also lists these services, among them energy storage.

We believe that the wording of Annex XI should be clarified.

Network operators are “natural monopolies”. As such, their actions are strictly determined by the regulatory framework which also defines the conditions of their revenues through grid usage fees and expenditures. In a liberalised electricity market, we believe that they should act as neutral market facilitators by providing information to commercial parties in a transparent, non-discriminatory and efficient way, while operating their networks with a high level of reliability and quality.

As a matter of fact the load flow in distribution grids is becoming more volatile and showing higher peaks; even reversed load flows occur. Finding an efficient technical answer to this new situation shall be among the main tasks of DSOs. The mentioned services might contribute to this. In this respect, DSOs shall be allowed to provide system services\(^1\). DSOs have to act as market facilitators and not as market influencers. Due to this, appropriate security congestion management has to be put in place and DSOs are not allowed to trade with energy.

Once smart grids have been implemented pursuant to an adequate and clear financing framework, demand-side response and energy efficiency services should be provided to customers by commercial parties: suppliers, ESCOs and load aggregators.

- Commercial parties (need for) relationship with customers means that they are well placed and motivated to offer high quality energy efficiency advice and innovative services.
- They have commercial incentives to develop energy efficiency services (i.e. interactive tools to help customers regulate their consumption) which are a means to reduce peak load curves and to make room for new demands for electricity such as electric vehicles.
- Services will be provided most efficiently when there is an adequate market price signal and free choice for customers so they only pay for the services they want.
- Once smart meters are rolled-out, commercial parties will have natural incentives to develop new partnerships with customers and design tailor-made services and products for them.

\(^1\) Today, system services are services provided by network operators to users connected to the system in order to ensure required power quality and the stability of the distribution grid. These services might evolve further in the future and the modalities for operating these flexibility tools need to be further defined.
Network tariffs

Annex XI also proposes that “network tariffs shall be available that support dynamic pricing for demand response by final customers”.

EURELECTRIC recognises that network tariffs may increasingly rely on capacity and be an instrument to provide appropriate signals for energy consumption. However, we do not believe that focusing only on network tariffs will be effective; dynamic energy prices should also be considered. To allow customers responsiveness, customers have to be able to ‘feel’ the price and adapt their consumption. This can be done through dynamic end-user pricing which will fluctuate over time depending on the capacity scarcity.

Demand response measures should primarily be a business for energy suppliers, ESCOs and load aggregators while setting their prices in relation to product characteristics. In any case, using network tariffs to influence end-user consumption should not deny suppliers an opportunity to offer demand side response products and services based on (market-based) prices and to distinguish themselves from other suppliers by offering consumers a choice.

Finally, it should also be clarified that equipping a vast majority of consumers with smart meters is a prerequisite for introducing effective demand response measures.