



CEDEC position

Collective Energy Supplier Switching Campaigns

October 2014

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Collective switching campaigns have been initiated in several EU Member States over the last years. In some cases these campaigns have led to large numbers of consumers switching their energy suppliers. In some Member States where competition is still weak and a very large dominating supplier maintains a high level of market share, this has led to more diversified and competitive retail market for energy.

CEDEC recognises collective switching campaigns as a means to enhance retail market competition and as a facilitating tool for consumers to better understand, compare and enhance their own energy supply deals. At the same time, without seeing the need for additional regulatory measures, CEDEC believes that some general principles should be guarded by the organisers and supervisors of collective switching campaigns in order to prevent negative impacts for consumers and energy markets in the long-term. Primarily, these campaigns should be organised in a transparent, fair and accountable manner. These principles that are essential in CEDEC's view, are elaborated in further detail below.

Level-playing field

Collective switching campaigns need to be based on a level playing field for all involved market players. Regional suppliers should not be prevented from participating in collective switching by unrealistic requirements going beyond existing legislation. Also nation-wide tenders have been barriers for local energy suppliers to participate, as these companies might only provide their services within certain regions of a country. Regional offers should be possible.

Transparency

Furthermore potential participating consumers need to be well and correctly informed regarding their options by a neutral actor. In particular they have to be aware that the winning offer is not necessarily the cheapest or best offer available to them and that the conditions (i.e. price) are changing after a certain time frame. Transparency is also needed concerning the role and economic interest of facilitators. Confidence in the initiator of a campaign (e.g. NGOs) could conceal the fact, that the process is not a non-profit event, but adds a layer to the value-chain while supporting the



development of an additional market role. Finally, it should be communicated to consumers that their final price also contains a commission fee for the switching platform provider.

Quality Control

To ensure customer satisfaction and fairness collective switching should be subject to strict quality controls by the National Regulatory Authority. As the campaigns are based upon the cheapest price offered, the quality of services might suffer. In particular the long-term price development of the winning offer should be investigated. In competitive markets, collective switching prices can only go below market-leading offers by setting short-term price offers below profitability. As a result, prices could increase considerably after the first year, resulting in dissatisfaction and the need for customers to annually switch supplier.

Monitoring by NRAs

Collective switching campaigns in the energy sector have been conducted since 2011 in a limited number of European Member States. These campaigns were based on different business models and initiated and facilitated by different actors. As these initiatives are a quite recent phenomenon and diverse in their setup, a comprehensive analysis should be carried out to assess their cost-effectiveness and benefits or risks for customers on a long-term.

CEDEC Background information

CEDEC represents the interests of local and regional energy companies in ten European countries.

CEDEC represents 1500 companies with a total turnover of 120 billion Euros, serving 85 million electricity and gas customers & connections, with more than 350.000 employees.

These predominantly medium-sized local and regional energy companies have developed activities as electricity and heat generators, electricity and gas distribution grid & metering operators and energy (services) suppliers.

The wide range of services provided by local utility companies is reliable, sustainable and close to the consumer. Through their high investments, they make a significant contribution to local and regional economic development.