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**COMMISSION STAFF WORKING DOCUMENT**

**Energy Consumer Trends 2010 - 2015**

## Commission Staff Working Document

### Energy Consumer Trends 2010 - 2015

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## A. Introduction and Policy Context

This Staff Working Document has been prepared as a contribution to the State of the Energy Union package. The Commission's "Framework Strategy for a Resilient Energy Union with a Forward-Looking Climate Change Policy"<sup>1</sup> was adopted on 25 February 2015. The opening statement of the Communication launching the Energy Union refers to the goal of giving EU consumers secure, sustainable, competitive, and affordable energy. It envisages an Energy Union where "citizens take ownership of the energy transition, benefit from new technologies to reduce their bills, participate actively in the market, and where vulnerable consumers are protected".

A fully-integrated internal energy market is thus not an end in itself. It should first and foremost bring tangible benefits to consumers who are also the driving force of competition. In this vein, the Commission Communication *Delivering a New Deal for Consumers* of July 2015<sup>2</sup> further emphasises that consumers need to be put at the centre of a thriving and functioning energy system. The Communication acknowledges that consumers are still prevented from playing their full role in the transition of the energy system. Effectively addressing the reasons for this requires a strong evidence base. The Commission services therefore commissioned more in-depth market research to provide for insightful explanations of the underlying market problems that consumers continue to be confronted with.

Three studies have been funded by the Commission under the EU Consumer Programme (2014-2020), one of which is now complete and the first findings for the other two are now available. In addition, a study on "Energy poverty and vulnerable consumers in the energy sector across the EU: analysis of policies and measures" was completed in July 2015. The study findings, which are presented in the following chapters, provide clear evidence of the issues faced by consumers, and the need to inform, empower and engage them. They also offer suggestions of how this can be done. They provide evidence, in the form of metrics and data, necessary to inform future policy initiatives, such as those set out in the State of the Energy Union package.

Clear evidence also stems from the results of the Consumers Market Scoreboards, which have persistently identified both the electricity and gas markets as among the most poorly performing markets from a consumer perspective over a number of years.<sup>3</sup> The findings of these studies provide strong evidence of the need to support the consumer dimension in the Commission Communications on *Delivering a New Deal for Consumers* and on the *State of the Energy Union 2015*.<sup>4</sup>

### A.1. Description of the Studies

The **Second consumer market study on the functioning of retail electricity markets for consumers in the EU** ("the electricity study") aims at assessing consumer conditions across the EU28 Member States' (and Norway, Iceland) electricity markets following the implementation of the Third Energy Package. The study investigates the extent to which the electricity market benefits consumers and what is still missing for better consumer outcomes. It

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<sup>1</sup> COM(2015)80.

<sup>2</sup> COM(2015)339.

<sup>3</sup> [http://ec.europa.eu/consumers/consumer\\_evidence/consumer\\_scoreboards/10\\_edition/docs/cms\\_10\\_factsheet\\_en.pdf](http://ec.europa.eu/consumers/consumer_evidence/consumer_scoreboards/10_edition/docs/cms_10_factsheet_en.pdf).

<sup>4</sup> COM(2015)XXX.

also examines the extent to which consumers are able to make informed and rational choices corresponding to their energy consumption needs, whether they possess the necessary tools to compare prices and offers, and what motivates consumer behaviour in the energy market. The study drew comparison with the findings of the first retail electricity market study by DG SANCO<sup>5</sup> (published in 2010 using 2009 data). The findings should both inform future policy initiatives and identify actions needed for further integration of the EU Internal Energy Market. The study is expected to be finalised by the end of 2015, with the initial findings used in this Document.

The **Study on consumer vulnerability across key markets in the European Union** (“the vulnerability study”) is aimed at identifying drivers of vulnerability, including marketing practices that are especially challenging for consumers, and to test and assess measures that may alleviate consumer vulnerability. It focuses on consumer vulnerability in key markets identified as problematic for consumers: the financial sector, the energy sector and the online environment (including electronic communication). The study concludes with wider policy recommendations for the Commission's work on addressing consumer vulnerability, either under horizontal consumer legislation, such as the Guidance document to the UCPD (Unfair Commercial Practices Directive), or sector-specific initiatives. The study is expected to be finalised by the end of 2015, with the initial findings used in this Document.

The **Study on Energy Poverty and Vulnerable Consumers in the Energy Sector across the EU: Analysis of Policies and Measures** (“the INSIGHT\_E study”)<sup>6</sup> was published in July 2015. It assesses how Member States define the issue of energy poverty and vulnerable consumers, and the measures that have been implemented to address these issues.

The **Study on the coverage, functioning and consumer use of comparison tools and third-party verification schemes**<sup>7</sup> (“the comparison tools study”) was conducted in 2014. The objectives of the study include conducting an extensive mapping exercise of the comparison tools available in the EU, accompanied by a survey on consumer perception and experience of comparison tools (analysis by sector and by country). The study explores consumer behavioural patterns in the use of comparison tools and their influence on consumer decision-making. It provides an analysis of existing accreditation and trustmark schemes for comparison tools. Finally, the study highlights how improvements can be made to ensure comparison tools are reliable, transparent and user-friendly and that they benefit consumers. This study feeds into the review of the Commission's Guidance on the Unfair Commercial Practices Directive and its work with stakeholders to improve the reliability of comparison tools. The study was finalized at the end of 2014.<sup>8</sup>

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<sup>5</sup>[http://ec.europa.eu/consumers/archive/consumer\\_research/market\\_studies/docs/retail\\_electricity\\_full\\_study\\_en.pdf](http://ec.europa.eu/consumers/archive/consumer_research/market_studies/docs/retail_electricity_full_study_en.pdf).

<sup>6</sup> [https://ec.europa.eu/energy/sites/ener/files/documents/INSIGHT\\_E\\_Energy%20Poverty%20-%20Main%20Report\\_FINAL.pdf](https://ec.europa.eu/energy/sites/ener/files/documents/INSIGHT_E_Energy%20Poverty%20-%20Main%20Report_FINAL.pdf).

<sup>7</sup> European Commission, Study on the coverage, functioning and consumer use of comparison tools and third-party verification schemes for such tools – see [http://ec.europa.eu/consumers/consumer\\_evidence/market\\_studies/comparison\\_tools/index\\_en.htm](http://ec.europa.eu/consumers/consumer_evidence/market_studies/comparison_tools/index_en.htm).

<sup>8</sup> [http://ec.europa.eu/consumers/consumer\\_evidence/market\\_studies/docs/final\\_report\\_study\\_on\\_comparison\\_tools.pdf](http://ec.europa.eu/consumers/consumer_evidence/market_studies/docs/final_report_study_on_comparison_tools.pdf).

## A.2. Key Findings

The most relevant issues for the New Deal - and as covered by the studies - are set out below. The questions they raise are then covered in greater detail in the following chapters, which present the studies' preliminary findings.

There is a continuing lack of competition in many Member States due to regulated prices, which has an impact on consumers as there is little incentive for efficiency in the system and consumers cannot switch. Even in Member States where markets have been liberalised - as a result of EU legislation - competition is often weak, prices are high, and consumers remain passive and have a low level of trust in energy suppliers. *31% of survey respondents reported having had a problem with their electricity company in the past three years*<sup>9</sup>. These rapidly-evolving markets have also created new challenges for consumers.

More consumers are facing energy poverty and vulnerability as a result of changes to the market and other factors. Consumer energy bills are rising against a backdrop of stagnating or even falling incomes, and there are still unresolved issues with the quality of housing stock. The structure of household energy bills is changing with rises in taxes, levies, and fixed costs, such as network charges. This has resulted in affordability issues for a greater number of consumers as these costs cannot be avoided, regardless of how much (or little) energy a consumer uses. Consumers often pay more than they should for their energy, even when they make efforts to consume less or when they have the possibility of switching. Concrete solutions to improve levels of empowerment and engagement are needed, as is a fair distribution of costs in order to resolve this.

Furthermore, current market arrangements do not effectively encourage or enable energy-efficient behaviour, despite the potential for considerable savings that can be made through reduced consumption. Consumers are often unable to afford to take appropriate steps or are unaware of the choices available to them. In addition, despite the increasing focus on renewable energy and the role of prosumers and self-generation, regulatory barriers often prevent consumers from becoming active market players.

Consumers have gained more rights with the transposition of the Third Energy Package<sup>10</sup> and other relevant energy legislation, namely the Energy Efficiency Directive<sup>11</sup>, the Energy Performance of Buildings Directive<sup>12</sup>, Directive on the indication by labelling and standard product information of the consumption of energy and other resources by energy-related products<sup>13</sup> and the Renewable Energy Directive<sup>14</sup>. There is nevertheless the recognition that consumers' rights need to be further strengthened, and that the increasing market complexity highlighted in the Communication needs to be addressed.

These studies, including first findings, represent a considerable resource that will help identify improvements to energy markets, enabling consumers to get a better deal and become more engaged with the markets. The final reports for **the electricity study** and **the vulnerability study** will further strengthen the potential for policy development in line with State of the Energy Union Report and the New Deal for Consumers.

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<sup>9</sup> Second consumer market study on the functioning of retail electricity markets for consumers in the EU

<sup>10</sup> <https://ec.europa.eu/energy/en/topics/markets-and-consumers/market-legislation>

<sup>11</sup> <http://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=CELEX:32012L0027&from=EN>

<sup>12</sup> <http://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=CELEX:32010L0031&from=EN>

<sup>13</sup> <http://eur-lex.europa.eu/legal-content/EN/ALL/?uri=CELEX:32010L0030>

<sup>14</sup> <http://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=CELEX:32009L0028&from=EN>

## B. Consumer Information in Electricity Bills

Consumers across the EU continue to have issues with “unclear and confusing bills, often caused by unclear price structure”<sup>15</sup>. The 2013 Working Group Report on e-Billing and Personal Energy Data Management<sup>16</sup> recommended that all bills should be clear and concise to enable easy analysis of consumption. It recommended that they should include - inter alia - information on complaint handling and contact points, on payment methods, and on the various elements that constitute the final price they paid e.g. taxes and distribution costs. Furthermore, consumers need to understand if the bill is based on actual consumption or on an estimate based on a calculation of consumption in the previous year. This helps with payment planning and avoids the risk of falling in arrears. Bills should also provide full information on energy sources (renewables, etc.), enabling consumers to switch to a greener tariff. Finally, bills should be available on a regular basis so consumers can monitor their consumption.

To better understand consumers knowledge and experience in this market, **the electricity study** collected information through a consumer survey (EU 28 and Norway, Iceland) and a mystery shopping exercise (conducted in 10 countries Sweden, Germany, Poland, Slovenia, Spain, France, the UK, Italy, the Czech Republic and Latvia) on consumers' awareness, attitudes and experiences regarding electricity services. It assessed in particular consumer general awareness and information on the electricity markets, their trust in the electricity companies, their perception of the quality and service on offer, of the choice and comparability, the easiness of switching suppliers, their views on affordability, their experience and perceptions of what constitutes unfair commercial practices and their access to complaint and redress mechanisms. Furthermore, a behavioural experiment was conducted alongside the consumer survey in 10 countries (the same as in the mystery shopping exercise) in view of testing consumers' comprehension of energy offers, bills and marketing material.

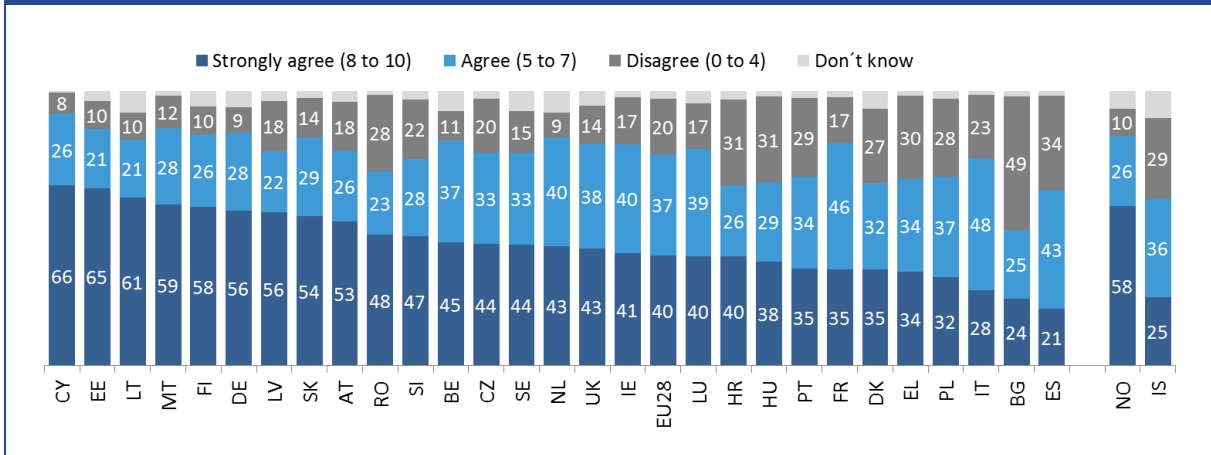
Below we present findings of the consumer survey, mystery shopping exercise and behavioural testing. Across the EU28, only 40% of respondents to the consumer survey strongly agreed (scores 8 to 10 on a zero-to-ten scale) that the **electricity bills of their electricity company were easy and clear to understand**. However, a very large variation was observed across Member States. To illustrate, more than 6 out of 10 respondents in Lithuania, Estonia and Cyprus strongly agreed that their bills were easy and clear to understand, compared to less than 3 out of 10 respondents in Spain, Bulgaria and Italy.

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<sup>15</sup> BEUC Position paper, “Building a Consumer-centric Energy Union”, at [http://www.beuc.eu/publications/beuc-x-2015-068\\_mst\\_building\\_a\\_consumer-centric\\_energy\\_union.pdf](http://www.beuc.eu/publications/beuc-x-2015-068_mst_building_a_consumer-centric_energy_union.pdf)

<sup>16</sup> [https://ec.europa.eu/energy/sites/ener/files/documents/20131219-e-billing\\_energy\\_data.pdf](https://ec.europa.eu/energy/sites/ener/files/documents/20131219-e-billing_energy_data.pdf)

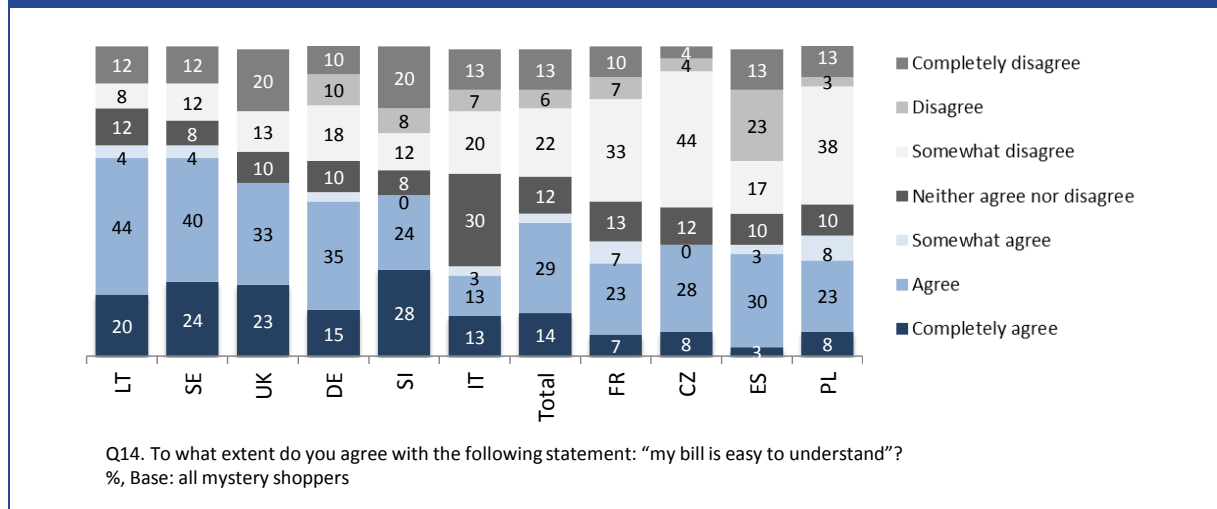
**Figure 1: Consumer survey - Agreement with statement: “bills of [PROVIDER] are easy and clear to understand”, by country**



Q2\_7. The following question deals with the quality of services offered in the electricity retail market. Please indicate how much you agree or disagree with each of the following statements, using a scale from 0 to 10, where 0 means that you “totally disagree” and 10 means that you “totally agree”: Bills of [PROVIDER] are clear and easy to understand.  
%, by country, Base: all respondents

At the same time, mystery shoppers – **who were asked to study a recent electricity bill** – were less likely than consumer survey respondents to *strongly agree* that the bills of their electricity company were easy to understand (ranging from 3% in Spain to 28% in Slovenia).

**Figure 2: Mystery shopping - Agreement with the statement: “my bill is easy to understand”**



Items that were found to be especially difficult to understand by mystery shoppers included: how the billing amount was calculated, the switching code or meter identification number, and information provided about the fuel mix.

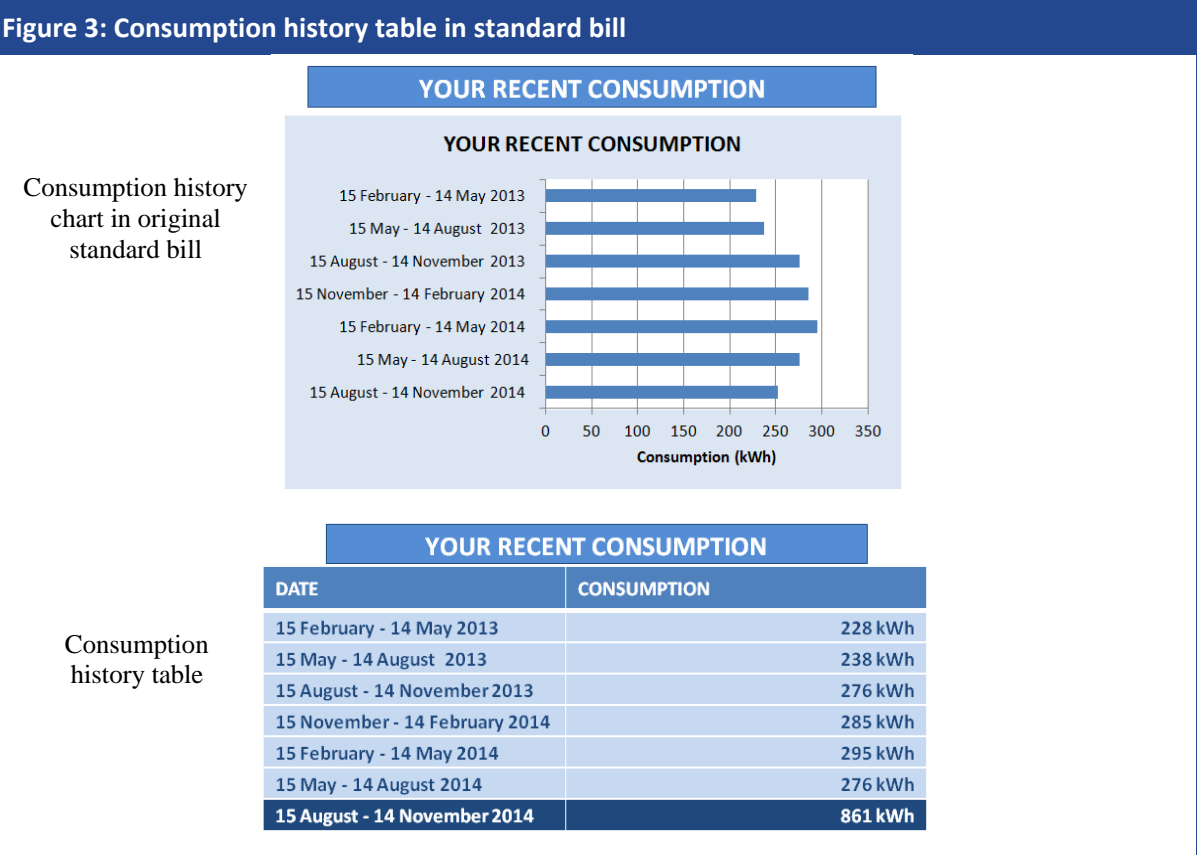
Respondents in a behavioural experiment who viewed a **best practice bill**<sup>17</sup> performed better in a comprehension exercise than those who viewed a **standard bill**<sup>18</sup>. On average across all

<sup>17</sup> The design of the *best practice bill* draws on the guidance of the Working Group on Billing (“Good Practice Guidance for Billing, 2009; see [http://www.energy-regulators.eu/portal/page/portal/EER\\_HOME/EER\\_PUBLICATIONS/CEER\\_PAPERS/Customers/Tab1/E10-CEM-36-03\\_EC%20billing%20guidance\\_8-Sept-2010.pdf](http://www.energy-regulators.eu/portal/page/portal/EER_HOME/EER_PUBLICATIONS/CEER_PAPERS/Customers/Tab1/E10-CEM-36-03_EC%20billing%20guidance_8-Sept-2010.pdf)), the Working Group Report on e-Billing and Personal Data Management ([https://ec.europa.eu/energy/sites/ener/files/documents/20131219-e-billing\\_energy\\_data.pdf](https://ec.europa.eu/energy/sites/ener/files/documents/20131219-e-billing_energy_data.pdf)), and the electricity bill model/prototype developed following input from WG members, which makes suggestions for both the content and format of an electricity bill and encourages the use of a ‘comparability box’.

questions, 84% of respondents who saw the best practice bill selected the correct answers, compared to 79% of respondents who saw the standard bill. This effect could be even more pronounced in real life situations where attention is less focussed on the task, and therefore the impact of having a simpler bill may be more significant.

Moreover, respondents who saw the best practice bill considered that i) this bill was easier to understand; and ii) it was easier to find information from this bill, compared to those who saw the standard bill.

Respondents understood graphs better than tables when reviewing information on their past energy usage. When viewing their consumption history in a table, only 42% of respondents could correctly answer how much energy they had consumed in the previous year, compared to 58% of respondents who were shown their consumption history in a chart.

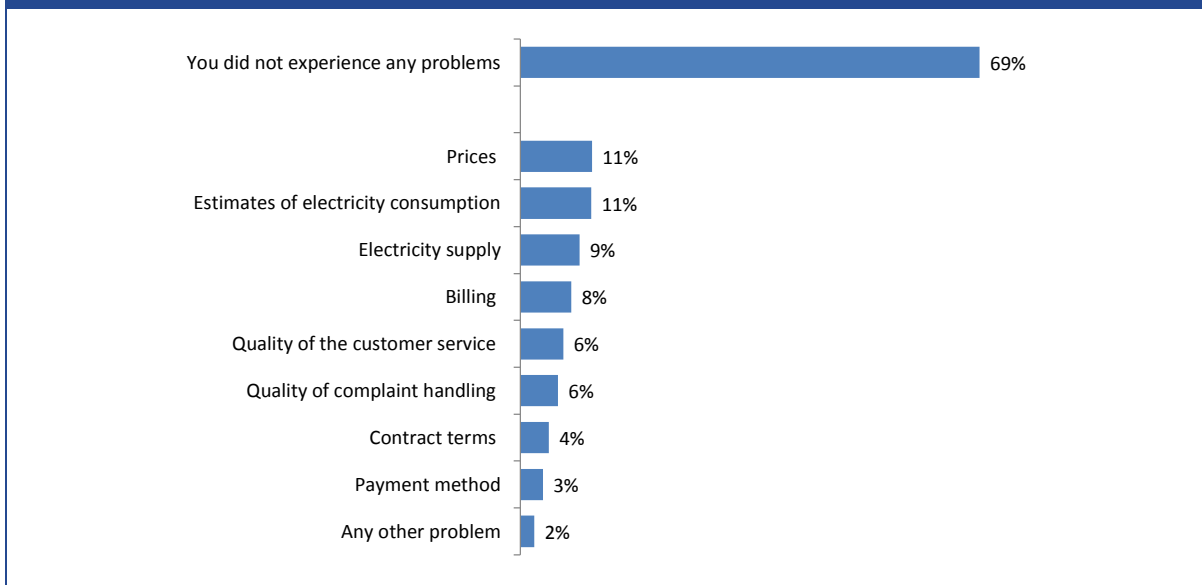


Across the EU28, 31% of respondents reported having had a problem with their electricity company in the past three years. The individual country results show that the proportion of respondents who had a problem ranges from 17% in Germany to 60% in Romania. Respondents who had experienced a problem most frequently referred to problems related to billing and pricing. For example, 11% of respondents mentioned problems with prices (e.g. too high or incorrect), 11% selected problems with estimates of electricity consumption (e.g. incorrect estimates), and 8% referred to **problems with billing (e.g. non-transparent or incorrect billing)**. The latter figure ranged from 2% in Cyprus to 18% in Greece.

<sup>18</sup> The *standard bill* was based on the bills collected through desk research on actual suppliers in Europe; it does not have a comparability box.



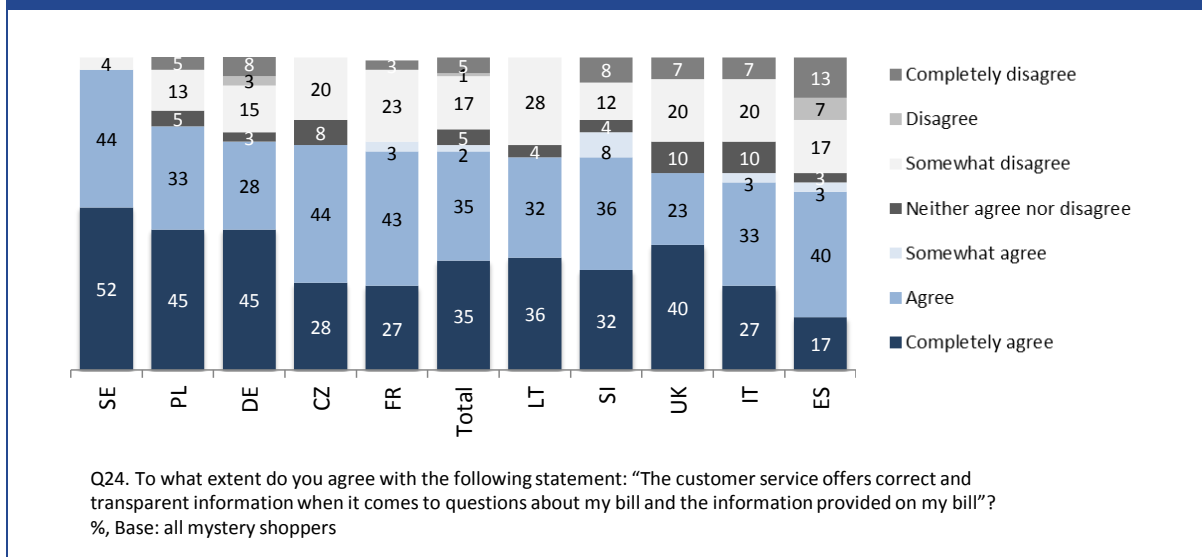
**Figure 4: Problems experienced with electricity companies in the past three years**



**Q6. Have you experienced any of the following problems with [PROVIDER] in the past three years? (multiple response)**  
 %, EU28, Base: all respondents

The proportion of mystery shoppers who *completely agreed* or *agreed* that the **information provided by customer services to questions about billing** was correct and transparent, ranged from 57% in Spain to 96% in Sweden (where 52% *completely agreed* with this statement).

**Figure 5: Agreement with the statement: “the customer service offers correct and transparent information when it comes to questions about my bill and the information provided on my bill”**



**Q24. To what extent do you agree with the following statement: “The customer service offers correct and transparent information when it comes to questions about my bill and the information provided on my bill”?**  
 %, Base: all mystery shoppers

## C. Choice and Comparability

### C.1. Energy offers

This section presents findings from two behavioural experiments undertaken in the **electricity study**: Stay or switch experiment and the Green offer experiment.

The “stay or switch” experiment tests mainly the impact of the following elements on consumers’ ability to choose the best deal: the type of bill and the price structure. The best deal is the one that is the cheapest for the respondent’s consumption profile. Respondents were shown an electricity bill and told to suppose that this bill represents their ‘current’ electricity deal. The bill shown to each respondent was either ‘best practice’ bill or ‘standard’ bill. Respondents had the option to either stay with their current deal (as represented by the bill shown to them), or to switch to one of two alternative deals.

The results of a behavioural experiment show that when the *price structure of electricity offers is complex* (such as the use of tiered pricing and tiered pricing combined with a discount), respondents find it more difficult to identify and choose the cheapest deal. 66% chose the cheapest deal when the price structure was non-complex, compared to 59% when the price structure was tiered, and 55% when tiered with a discount.

Table 1: Share of respondents who selected the cheapest deal											
	All countries	CZ	DE	ES	FR	UK	IT	LT	PL	SE	SI
<b>By bill type:</b>											
Best practice	61%	59%	64%	53%	59%	72%	52%	60%	59%	63%	59%
Standard	59%	59%	61%	51%	55%	70%	55%	58%	53%	57%	58%
<b>By price structure of offers:</b>											
Non complex	66%	63%	67%	56%	67%	76%	61%	65%	60%	67%	67%
Tiered	59%	60%	58%	52%	55%	73%	53%	58%	56%	59%	55%
Tiered with discount	55%	53%	62%	49%	49%	65%	47%	55%	51%	54%	55%
<b>By whether should stay or switch:</b>											
Should stay	75%	78%	81%	67%	78%	78%	69%	70%	68%	77%	71%
Should switch	45%	40%	44%	37%	36%	65%	39%	48%	44%	43%	46%
Total	60%	59%	63%	52%	57%	71%	54%	59%	56%	60%	59%

Note: Weighted base varies by treatment: Best practice = 5,042; Standard = 5,014; Non-complex = 3,357; Tiered = 3,344; Tiered with discount = 3,355; Should stay = 5,018; Should switch = 5,038.

Source: *Experiment final dataset*

Respondents exhibit **inertia or status quo bias**: 63% of respondents chose to stay with their current deal yet in only 50% of cases was the current deal the best offer<sup>19</sup>. The share of respondents who stayed with their current deal varied from 55% in the UK to 70% in France.

<sup>19</sup> 75% of respondents in the group where the current deal was the best offer chose the cheapest deal, compared to 45% of respondents where the current deal was not the best.

We may expect this inertia to be greater in real markets where consumers are not focused solely on the task of choosing to stay or switch in a controlled experimental environment.<sup>20</sup>

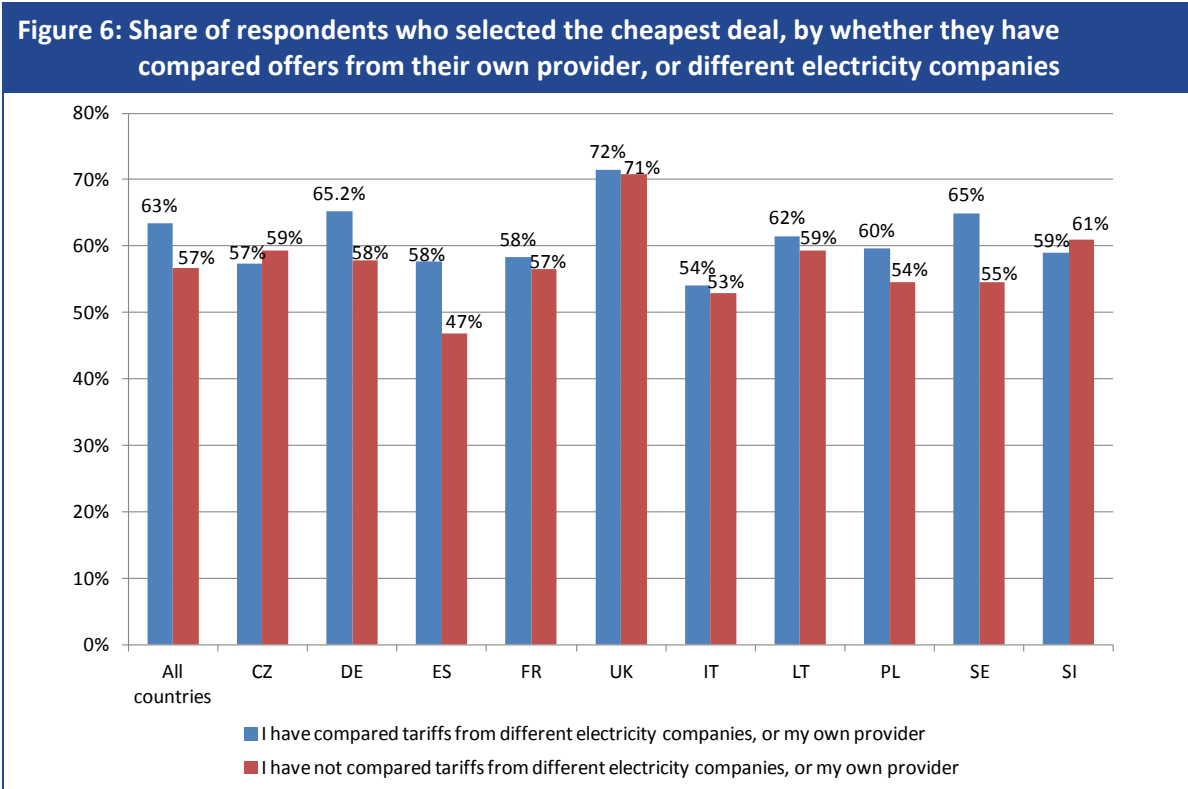
**Table 2: Share of respondents who stayed with their current deal**

Stayed with current deal	CZ	DE	ES	FR	UK	IT	LT	PL	SE	SI	Total
	67%	67%	61%	70%	55%	61%	59%	59%	65%	61%	63%

Note: Weighted base = 10,056. Proportions may not add up to 100% due to rounding. Country-level results are weighted by the share of socio-demographic groups in the population of each country. Overall results are weighted by the share of the population of each country in the total.

Source: Experiment final dataset

**Respondents who have compared offers in the past may find it easier to choose the cheapest deal.** The following figure presents the proportion of respondents that selected the cheapest deal after comparing tariffs from their current provider and/or from different electricity companies. On average, respondents who have compared offers from their own provider, or electricity companies, tended to choose the cheapest deal more often than respondents who had not previously compared offers. On average, 63% of respondents who had compared offers chose the cheapest deal, compared to 57% of respondents who had not done so.



Note: Base varies by group: Respondents saying they have compared offers from their own provider, or electricity companies =5,262; Respondents saying they have not compared offers from their own provider, or electricity companies= 3,950.

Source: Experiment final dataset

Consumers tend to perform better based on age, their level of education, or their economic status. On average, 61% of respondents below 65 years chose the cheapest deal, compared to 55% of respondents **65 years of age and over**. 62% of economically active respondents chose

<sup>20</sup> This is referred to as the asymmetry of controlled behavioural experiments and is related to external validity. External validity is further discussed in Applying Behavioural Sciences to EU Policy-making, JRC Scientific and Policy reports, 2013.

the cheapest deal, compared to 58% of economically inactive respondents. 64% of respondents with a high level of education chose the cheapest deal in the experiment, compared to 59% of respondents with a medium level of education, and 54% of respondents with a low level of education (these impacts are statistically significant).

After respondents had decided whether to stay with their current deal or switch to an alternative, they were then given the option to switch to a green deal. Respondents were deducted points<sup>21</sup> if they chose the green deal, but were informed that in that case a contribution would be made to a fund to protect the environment. The premium attached to the green offer (i.e. the number of points that would be deducted if the respondent opted for the green deal) was varied across respondents from a high to a low level<sup>22</sup>.

Just under two fifths of respondents in the Green offer behavioural experiment chose to switch to the green offer. As expected, the share of respondents who opted to switch to the green offer varied according to the level of the green premium: 42% of respondents chose the green offer when the premium was low compared to 37% of respondents when the premium was high.

Respondents who reported in the questionnaire that it was important to save energy for environmental reasons were, on average, almost twice as likely to switch to the green offer. On average, 46% of respondents who agreed that it was important to save energy for environmental reasons switched to the green offer, compared to 24% of respondents who did not agree with the statement. Respondents who care about their energy consumption, or who cared about the 'green' credentials of their electricity supplier (assessed in the consumer survey) were also significantly more likely to choose the 'green' deal in the behavioural experiment.<sup>23</sup>

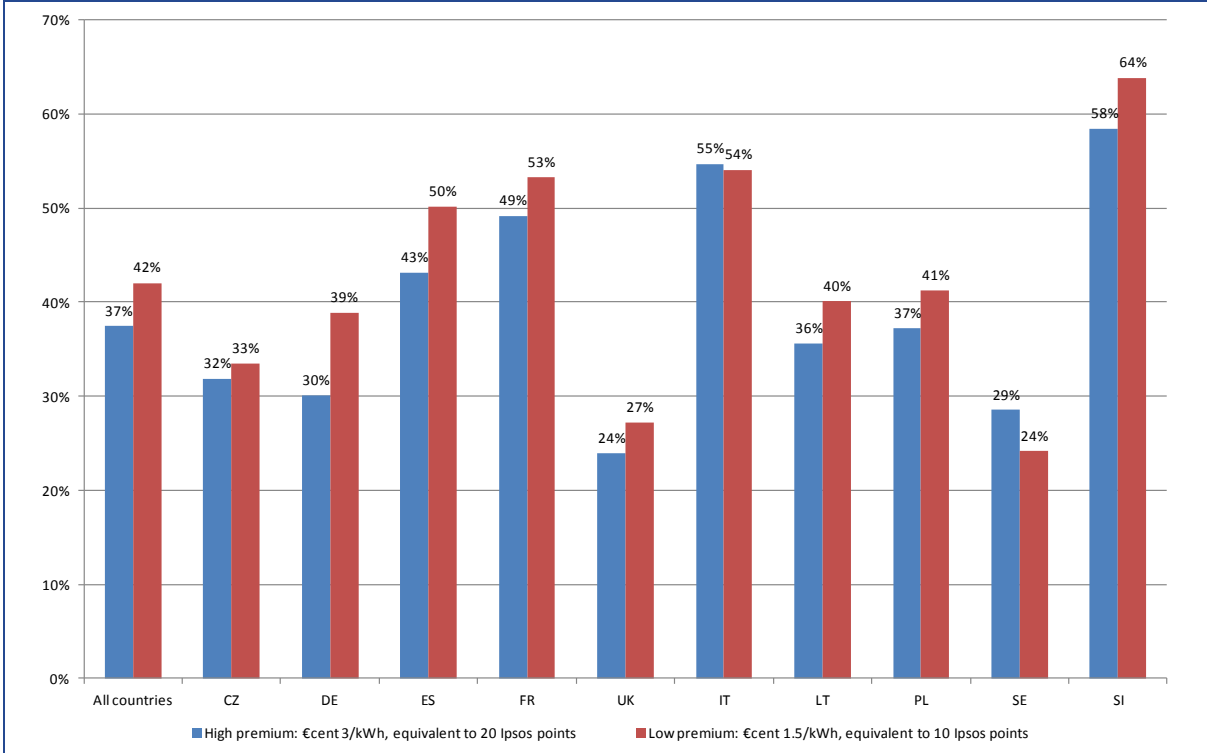
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<sup>21</sup> All panel members have a reward points account and earn points by completing surveys; the number of points allocated to each survey and experiment varies according to a number of factors, in particular length and complexity (the typical number of points rewarded for participation in a survey is 100 points). [Points were deducted from participant starting points balance for this exercise.](#)

<sup>22</sup> Respondents in the current study were allocated to two treatments: a 'high' green premium (€3/kWh), and a 'low' green premium (€1.5/kWh). The low premium level was equivalent to 10 points (10% of the total number of points rewarded at the start of the experiment) and the high premium was equivalent to 20 points (20% of the total number of points rewarded at the start of the experiment)

<sup>23</sup> Note: greenwashing in energy markets can be an issue with consumers being misled by incorrect claims on the environmental impact of the supplied energy

**Figure 7: Share of respondents who selected the green offer**



Note: Base varies by treatment: High green premium =5,027; Low green premium = 5,029.

Source: *Experiment final dataset*

## C.2. Price Comparison Tools

### C.2.1. Availability and use

According to **the comparison tools study**, 23% of consumers surveyed in the EU have used a comparison tool to compare energy offers. However, this figure varies widely across the EU with up to 45% of UK consumers using comparison tools to compare energy offers compared to only 2% of consumers from Luxembourg.

**Figure 8: Types of products/services for which comparison tools were used (by country)**

	CZ	SK	EL	RO	EE	AT	LV	SE	HR	DE	HU	DK	SI	FI	PL	PT	BG	NL	LT	IT	FR	BE	LU	CY	ES	UK	MT	IE	NO	IS
Electric appliances	83	80	78	78	77	75	74	74	74	74	73	73	72	71	70	70	69	68	68	67	59	57	56	52	45	44	44	36	66	53
Travel	21	17	46	27	23	48	24	48	29	45	17	44	27	50	26	36	29	34	21	50	51	45	59	66	55	44	35	47	52	60
Hotel rooms	17	24	42	16	22	41	16	34	21	37	22	31	25	39	25	29	24	26	18	47	36	37	60	53	48	44	28	51	36	42
Electronic comm.	24	14	25	25	23	27	28	23	39	36	19	30	18	14	20	19	32	22	24	27	14	19	13	30	24	24	9	15	25	15
Clothes/shoes/jewels	32	36	44	32	23	27	28	21	25	31	22	23	20	10	35	15	42	23	26	26	25	15	19	51	16	12	38	15	18	15
Energy	17	8	3	11	18	24	8	16	12	36	4	7	11	18	10	14	7	29	3	22	5	31	2	7	10	45	3	21	13	3
Music/film/books	19	21	20	21	15	20	9	24	15	27	17	23	7	24	24	14	12	16	11	25	21	13	20	26	14	16	25	14	19	15
Financial services	17	14	9	17	15	13	14	9	13	20	16	6	8	3	21	6	21	20	13	16	10	13	3	13	12	44	5	26	11	2
Cosmetics	25	21	21	28	10	12	11	13	15	15	12	9	7	3	32	8	21	9	18	16	12	7	6	19	11	5	15	6	10	3
Car/motor parts	19	18	15	20	21	15	14	10	16	15	14	11	19	12	24	11	16	6	13	11	13	5	10	15	8	5	9	8	8	7
Cars/motors	7	13	14	15	18	15	11	7	14	13	12	6	16	11	14	11	20	8	10	16	7	8	9	12	14	11	6	13	8	8
Sports/outdoor equip.	25	21	11	11	13	17	13	14	11	19	12	10	21	7	19	6	12	5	8	12	7	7	16	13	8	7	9	8	13	10
Tools and DIY supplies	19	14	10	10	16	14	10	10	11	20	16	12	12	8	12	5	11	14	10	11	11	8	8	13	6	6	6	7	9	12
Food and drinks	16	10	15	13	14	10	12	5	17	12	16	7	9	3	11	14	19	7	20	15	9	7	4	12	11	13	5	9	8	7
Home furnishing	32	16	8	8	3	12	16	11	8	13	11	10	5	7	30	6	18	2	16	14	7	3	10	6	9	6	3	4	8	2
Bars and restaurants	6	6	11	6	7	9	3	5	10	12	6	5	5	5	10	7	10	9	8	18	12	7	8	22	12	9	15	10	4	7
Cinema/concerts tickets	9	7	15	10	12	10	11	7	11	11	7	8	4	6	9	6	10	10	7	14	9	6	11	15	13	11	12	8	5	13
Children's products/toys	20	18	14	17	8	12	15	7	9	11	14	6	12	5	18	4	11	11	8	12	11	9	7	12	5	6	10	5	8	1
Furniture	17	15	10	10	14	11	16	9	11	14	10	8	8	6	14	5	15	8	13	8	11	7	7	6	6	7	2	4	6	5
Gardening supplies	14	10	5	10	5	12	8	5	6	13	8	8	9	3	13	1	7	10	6	8	7	6	5	2	4	5	1	4	5	1
Child care articles	8	7	5	7	2	2	5	1	3	4	4	3	4	2	6	3	6	2	5	7	2	2	1	5	4	1	1	1	2	2
Other	8	5	4	10	8	7	6	8	6	9	9	7	4	6	7	7	6	13	6	6	8	6	5	1	12	7	0	4	7	11

Q6. For which products/services do you use comparison tools?

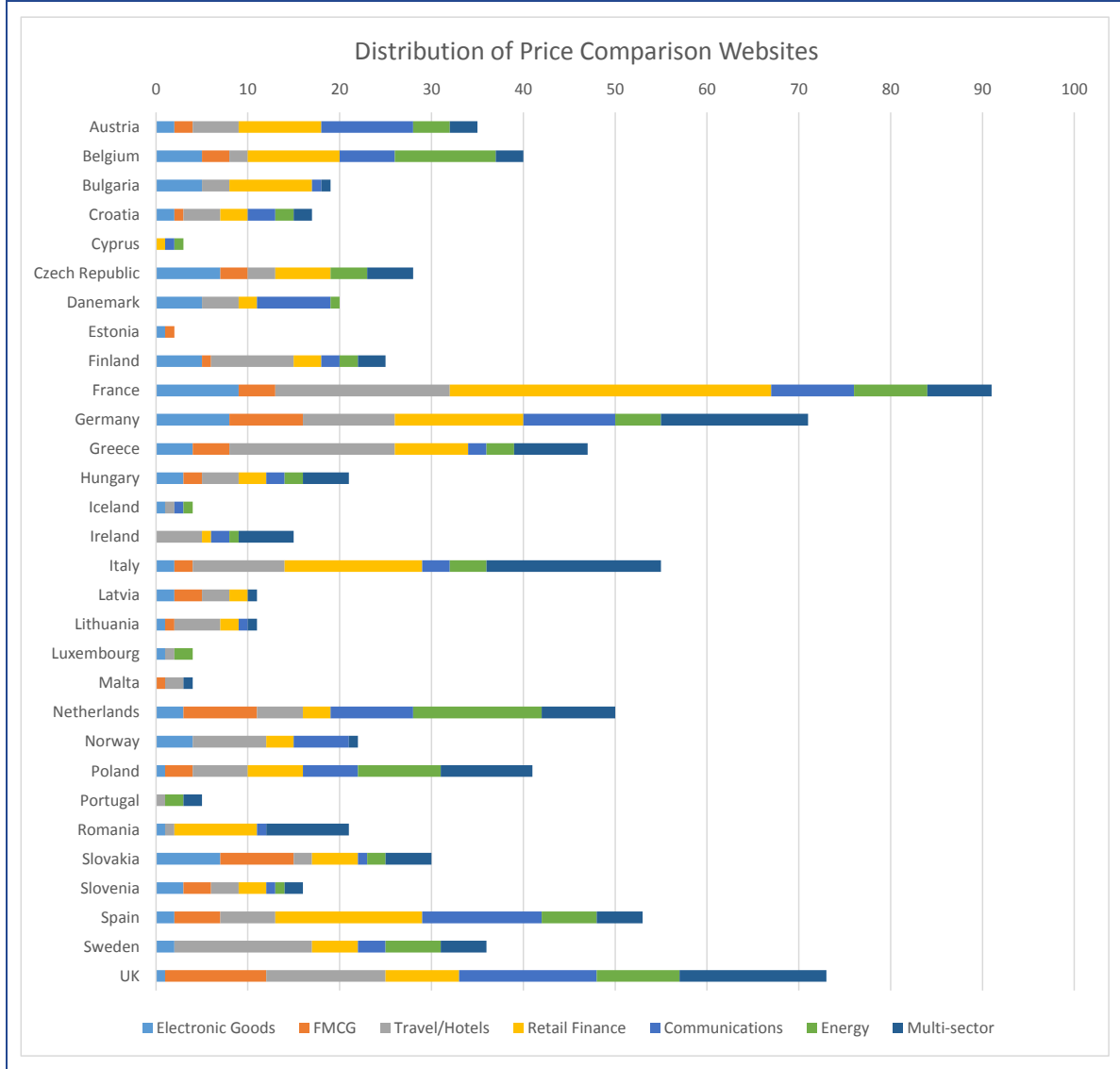
(multiple responses allowed)

%, Base: respondents who have used comparison tools in the last 12 months

A table with individual country results can also be found in annex 5.

These figures should be viewed in the context of the total number of energy comparison tools available in the EU.

**Figure 9: Breakdown of Price Comparison Websites per country**



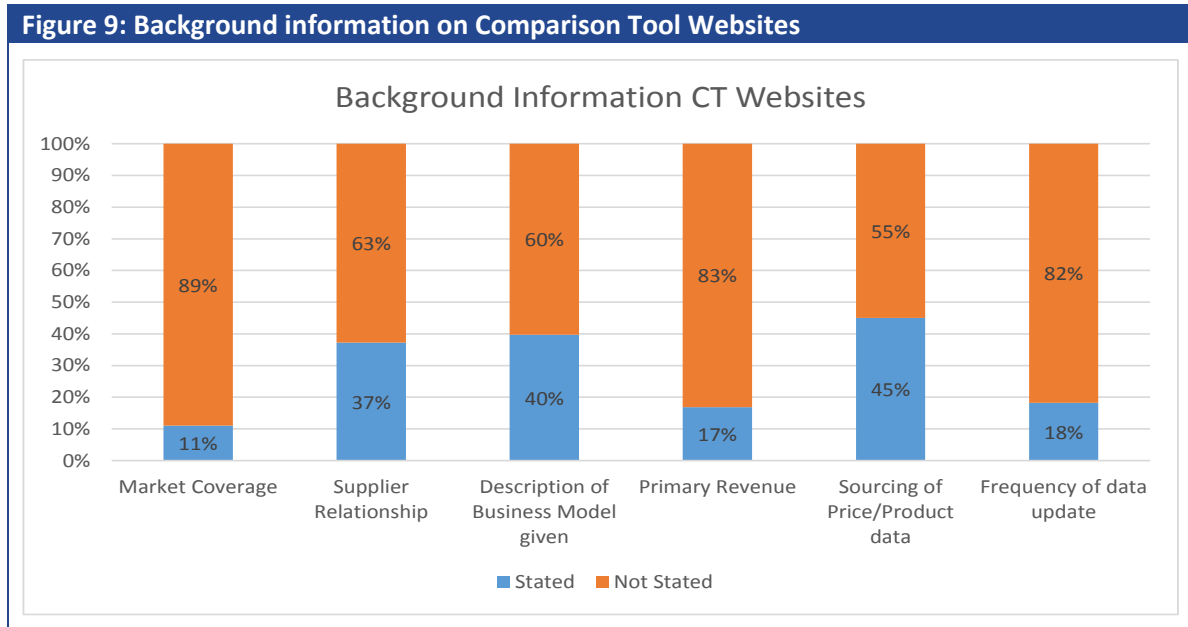
Of the consumers surveyed in the study, 69% and 68% respectively answered that the main reasons for using comparison tools are to compare prices and to find the cheapest offer.

The study also included several behavioural experiments that enabled it to gauge the effect of several factors influencing consumers when choosing and using an energy comparison tool. For instance, when choosing between alternative comparison tool sites, sites that offered the consumer multiple ranking options (e.g. price, customer service, contract type, energy type...) were preferred in the experiment.

The behavioural experiment also demonstrated that 78.2% of consumers showed a preference for an energy comparison tool displaying some form of third-party verification scheme, particularly if this scheme was operated by a regulator and, to a lesser extent, by a consumer organisation.

## C.2.2. Reliability

Having verification schemes in place to ensure the reliability of comparison tools appears particularly relevant in light of other findings of the study. Indeed, across all sectors the mapping exercise showed that less than 50% of comparison tools examined were able to disclose details on their supplier relationship, description of business model, or the sourcing of their price and product data. Only 12-18% of websites disclosed information on their market coverage, their primary revenue, or the frequency by which their data were updated.

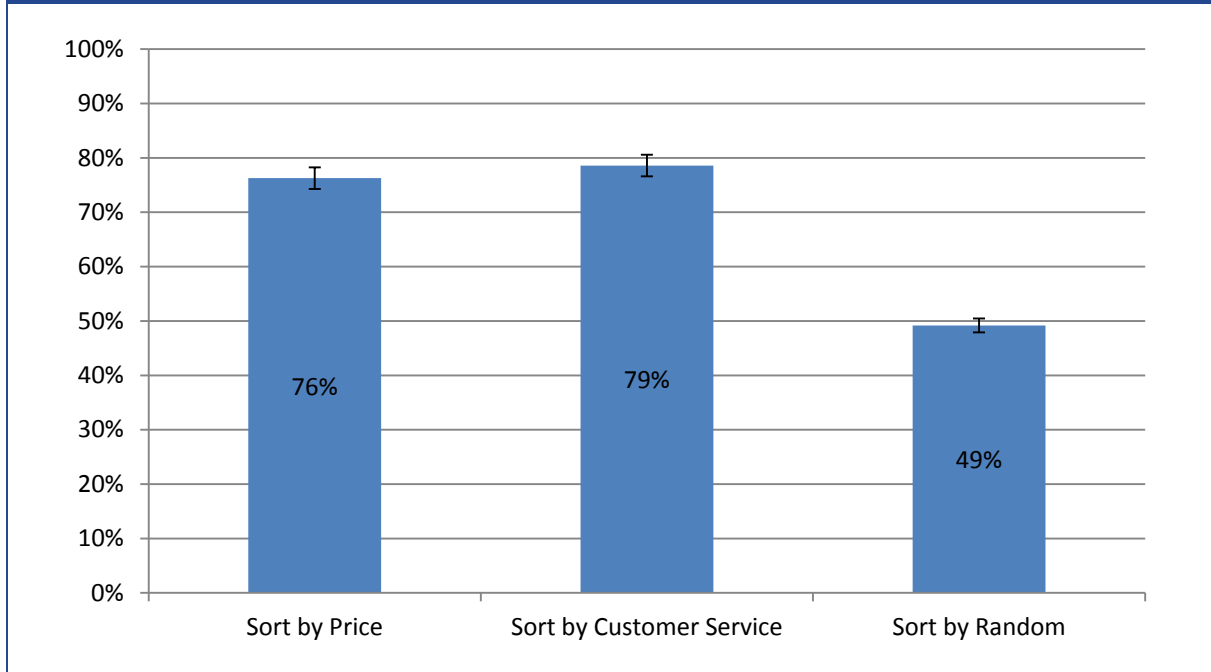


For comparison tools run by private operators, various sources of income were identified, such as advertising, commission, pay per click, but also pay per ranking which means that a service provider can pay an additional fee to the comparison tool to be featured higher in the default ranking results.

This is particularly important as the way the comparison tool functions heavily influences the consumers' final decision. 35% of comparison tools users indeed answered that the use of a comparison tool usually resulted in a purchase. Another behavioural experiment demonstrated that the sorting method used by comparison websites has an impact on the proportion of respondents in the experiment that selected the best deal shown to them in a mocked search result. In the case of electricity comparison tools, 79% and 76%, respectively, chose the best deal under the price sorting and customer service methods, compared to 49% when deals were sorted randomly.



**Figure 10: Proportion of participants that chose the best electricity deal as their first choice**



At this stage, only a limited number of accreditation schemes are available in the EU. The Guidelines of Good Practice on Price Comparison Tools<sup>24</sup> of the Council of European Energy Regulators (CEER), while not binding, provide guidance on how to ensure the quality and usefulness of the information they provide to consumers. The Guidelines are targeted at national regulatory authorities (NRAs) running such comparison tools or accreditation schemes as well as to private operators. Following a similar structure than that of the CEER Guidelines, the Belgian Commission de Régulation de l'Électricité et du Gaz (CREG)<sup>25</sup>, the Irish Commission of Energy Regulation and the UK's OFGEM<sup>26</sup> have put in place voluntary accreditation schemes. It is also worth noting that some NRAs are running their own energy comparison tools such as Sweden, Belgium, Italy, Austria or France (this list is not exhaustive).

## D. Switching

Switching rates vary greatly between Member States and over time. High switching rates can be understood as positive as they imply consumer engagement with energy markets and could enable more competition in the market. Conversely, low switching rates are often understood as an indicator that consumers are not engaged as they do not take any action. However, there is more to why consumers do not switch: it could be that consumers are satisfied with their current provider or they exhibit status quo bias (despite the possible negative impact of higher bills) or they consider that the benefits of switching do not make it worthwhile.

High switching rates tend to lead to lower consumer prices, as does collective switching, because market players need to offer more competitive tariffs. In addition, collective switching

<sup>24</sup> [http://www.energy-regulators.eu/portal/page/portal/EER\\_HOME/EER\\_PUBLICATIONS/CEER\\_PAPERS/Customers/Tab3/C12-CEM-54-03\\_GGP-PCT\\_09Jul2012.pdf](http://www.energy-regulators.eu/portal/page/portal/EER_HOME/EER_PUBLICATIONS/CEER_PAPERS/Customers/Tab3/C12-CEM-54-03_GGP-PCT_09Jul2012.pdf)

<sup>25</sup> [http://www.creg.info/pdf/Faq/charte\\_bonnes\\_pratiques.pdf](http://www.creg.info/pdf/Faq/charte_bonnes_pratiques.pdf)

<sup>26</sup> <https://www.ofgem.gov.uk/information-consumers/domestic-consumers/switching-your-energy-supplier/confidence-code>

schemes encourage consumers who might normally be passive in energy markets to participate. All this activity may additionally encourage new players to enter the market as there is the possibility of gaining a decent market share with the knock-on effect of further improving competition. Low switching rates can be the result of lack of choice (for example, if prices are regulated) or lack of differentiation in the market (as experienced in the UK with the Big Six).

At present, online price comparison tools are not as user-friendly as they could be. Often there is little transparency as to why a tariff from a certain company appears at the top of the list. It could be that a company has to pay to appear on a website, and often not all the tariffs are visible. For example, only the more financially advantageous tariffs for the supplier may be visible.

There are other shortcomings in the current system for choosing tariffs too. For example, those without internet access cannot necessarily access the most (financially) beneficial tariffs, which may only be available online. Schemes such as collective switching can work to the benefit of such consumers, as can the use of other intermediaries who offer support using other means. In addition, some suppliers offer promotions, which are only valid if consumers stay with the supplier for a certain timeframe, thereby discouraging them from switching.

The Third Energy Package states that switching must be completed within three weeks. While most Member States comply with this requirement in their legislation, the reality is rather different for consumers. For example, in some Member States, suppliers require 30 days' notice.

In **the electricity study**, 41% of respondents EU-wide had compared tariffs from different electricity companies, of whom 30% strongly disagreed that it was easy to compare. Of those mystery shoppers (10 Member States) who managed to find a cheaper tariff, only 40% completely agreed or agreed that it had been easy to find one. 64% of survey respondents who had compared tariffs of different companies used web comparison tools to do so, while 38% visit the companies' websites, and 8% contacted the companies by telephone. 15% of shoppers were not able to find a cheaper offer or tariff, 14% reported that the cheapest tariff was offered by their own provider, and 11% found the cheapest offer on another provider's website or when contacting the provider by phone. The largest share of shoppers, however, had found the cheapest offer or tariff via a price comparison website (61%).

Under EU law, Member States must ensure that consumers are not charged for changing supplier. However, it is clear from the study that consumers are not aware of their rights with regard to switching. When asked whether they could be charged for the change when switching electricity company, 45% of respondents answered that no such charges are allowed, 17% stated that they are allowed, and 39% did not know. When asked why they did not switch, an average of 3% of respondents EU-wide replied that it was due to the exit fees. This figure for individual Member States rose to 5% in Ireland and Poland, 6% in Croatia, and 7% in Italy and the UK. Across the 10 Member States that were covered by the mystery shopping exercise, 42% of shoppers answered that the provider's website stated that, when switching, consumers are not charged for the change. Conversely, 77% of operators told the mystery shoppers that they could switch free of charge.

In terms of the switching experience, of those who had actually switched 11% found it easy and 2% found it difficult. 18% of those who had done so took part in a collective switching campaign. Further, 61% of those who switched had done so because they found a better deal, 8% because of poor customer service, 8% because of billing issues, and 2% due to electricity supply interruptions. However, the length of time to switch does not necessarily comply with

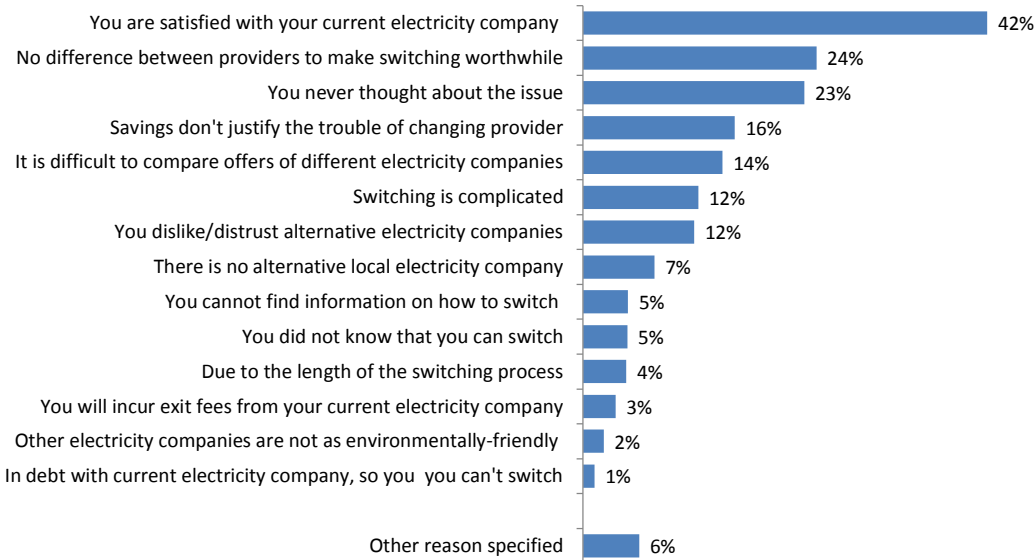
the legal three-week requirement; in several Member States, at least one third of mystery shoppers were told that it would take at least three weeks. In addition, it can take more than six weeks to receive the final closure account in some countries. 17% of mystery shoppers were told there could be a fee for cancelling their contract; in the UK and the Czech Republic the percentage was higher at 38% and 40% respectively.

Table 3: Information received about switching: “no charges when switching provider”											
	CZ	DE	ES	FR	UK	IT	LT	PL	SE	SI	Total
	50	100	75	75	75	75	50	100	50	50	700
<b>You will not be charged for the change</b>	60%	94%	83%	89%	59%	86%	80%	67%	66%	80%	77%
<b>A fee for cancelling your current energy deal (e.g. exit fee for fixed rates)</b>	40%	5%	11%	5%	38%	1%	0%	28%	32%	14%	17%
<b>Another extra charge</b>	0%	0%	7%	4%	3%	11%	8%	4%	2%	2%	4%
<b>No response</b>	0%	1%	0%	1%	0%	1%	12%	1%	0%	4%	2%

Q10. Ask the operator if there are any charges when switching provider; what does he/she reply?  
 Base: all mystery shoppers

Extra charges for switching supplier varied widely and included, for example, a security deposit of €70 or administration costs of €35. Approximately 39% of respondents who had not tried to switch explained that they were happy with their current tariff, while 18% said they were already on the cheapest tariff. Some 21% stated that they had not tried to change because it was difficult to establish which the correct tariff would be.

Figure 11: Main reasons for not trying to switch



Q32. What are the main reasons for not trying to switch your electricity company? (up to three responses)  
 %, EU28 (except Cyprus, Latvia and Malta), Base: Those who have not switched electricity company in the last three years (Q27 = code 2)

In the Czech Republic more than a fifth of mystery shoppers reported that the operator informed them that there were limitations on the energy provider that consumers can choose.

## **E. Energy Poverty and Vulnerability in the Energy Sector**

Consumer vulnerability is multi-dimensional; there is a wide range of factors which can increase the risk of consumers being vulnerable in markets supplying essential services such as energy. These factors include people's individual circumstances and needs, which can be short- or long-term, and may fluctuate over time. Other critical contributory factors arise from the policies, practices and behaviour of market players, and the way that the energy market operates, for example, if there are barriers to accessing affordable energy or to obtaining information and advice. Member States should thus identify and address the factors that contribute to consumer vulnerability in their respective energy markets.

### **E.1. INSIGHT\_E Study**

The Directives concerning common rules for the internal market in natural gas (2009/73/EC) and electricity (2009/72/EC) provide the framework for vulnerable consumers and energy poverty. These Directives call for Member States to define the concept of vulnerable consumers in their national frameworks, and to ensure that adequate safeguards are applied to protect vulnerable consumers and to address energy poverty where identified.

The Commission has been taking action to assist Member States to meet their obligations under the Third Energy Package by identifying good practices and supporting the exchange of information on how to protect vulnerable consumers and alleviate energy poverty.

A Commission expert group on vulnerable consumers published a practical guidance report<sup>27</sup> which was endorsed at the London Forum's plenary in December 2013 and published by the Commission in January 2014. Considering the wide diversity of the drivers of consumer vulnerability<sup>28</sup>, this guidance document aims to ensure that energy customers and consumers in vulnerable situations receive the support they need to have a decent standard of living, and to be well informed and able to engage in the rapidly developing energy retail markets.

Furthermore, in order to support the work of the Commission, Insight\_E<sup>29</sup> produced a policy report funded by the 7<sup>th</sup> Framework Programme to assess how Member States define the issue of energy poverty and consumer vulnerability, and the measures that have been implemented to address these issues. The report is published on the European Commission website<sup>30</sup>.

Most Member States have either defined the concept of vulnerable consumers explicitly, or have done so implicitly. While the definition of consumer vulnerability varies between

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<sup>27</sup> Vulnerable Consumer Working Group Guidance Document:

[http://ec.europa.eu/energy/sites/ener/files/documents/20140106\\_vulnerable\\_consumer\\_report\\_0.pdf](http://ec.europa.eu/energy/sites/ener/files/documents/20140106_vulnerable_consumer_report_0.pdf)

<sup>28</sup> [http://ec.europa.eu/energy/sites/ener/files/documents/vcwg-2013\\_market\\_conditions\\_0.pdf](http://ec.europa.eu/energy/sites/ener/files/documents/vcwg-2013_market_conditions_0.pdf)

<sup>29</sup> Insight\_E is a multidisciplinary energy think-tank formed by partners from academia, research centres and consultancies.

<sup>30</sup> Insight\_E (2015) 'Energy poverty and vulnerable consumers in the energy sector across the EU: analysis of policies and measures'. Available at:

[https://ec.europa.eu/energy/sites/ener/files/documents/INSIGHT\\_E\\_Energy%20Poverty%20-%20Main%20Report\\_FINAL.pdf](https://ec.europa.eu/energy/sites/ener/files/documents/INSIGHT_E_Energy%20Poverty%20-%20Main%20Report_FINAL.pdf)

Member States, it typically includes those individuals and households at risk of energy poverty, but also a broader group of consumers who may be at a disadvantage in the purchasing and use of energy in the electricity and gas retail markets.

The report classifies various definitions of vulnerable consumers across Member States. The most common definition is based on *receipt of social welfare*, which is applied in approximately 14 Member States. In this category there is not necessarily a reference to energy costs per se but to vulnerability due to social circumstances. Three Member States explicitly refer to issues of difficulty with *affording energy costs*. Four countries refer to *health and disability* concerns as the main characteristic of vulnerability, while a broader range of *socio-economic groups* which may include income, age or health characteristics are considered to qualify as vulnerable consumers in a further six Member States. The research found one Member State for which the definition of consumer vulnerability was still under discussion.

The report also finds that less than a third of Member States explicitly recognised the concept of energy poverty, and refer to it as a linked yet distinctive problem from the protection of vulnerable consumers. Some Member States such as France and the UK (and its respective devolved administrations) have recognised the issue of energy poverty in their legislation.

In relation to the metrics to measure energy poverty, the researchers provide recommendations on the key issues that need to be considered when producing an index to measure energy poverty at a national and EU level, taking into account the specific features of each Member State. These include the functioning of the energy market, the energy efficiency of the housing stock, the type of energy source used for heating, and the level of income.

Finally, the report reviews and classifies into four categories the measures undertaken across Member States to protect vulnerable consumers and address energy poverty:

- **Financial intervention:** such interventions are introduced to support the payment of bills and are focussed on short-term relief
- **Additional consumer protection:** these are specific measures that provide protection for consumers using retail markets
- **Energy efficiency:** such programmes target improvements to the efficiency of building stock or energy-using appliances
- **Information provision and raising awareness:** these measures improve the understanding of consumer rights, and information on market tariffs and energy-saving measures

Over 40% of Member States use financial intervention measures as the primary basis of support for vulnerable consumers. Many use the social welfare system to both identify recipients of support, and to distribute payments.

Additional consumer protection focussed on vulnerable consumer protection is dominated by disconnection safeguards. Yet other type of measures such as billing information, codes of conduct, and debt protection, often most prevalent in strongly liberalised markets, are also included in this category. Around 20% of Member States use disconnection protection measures as the main tool to protect vulnerable consumers.

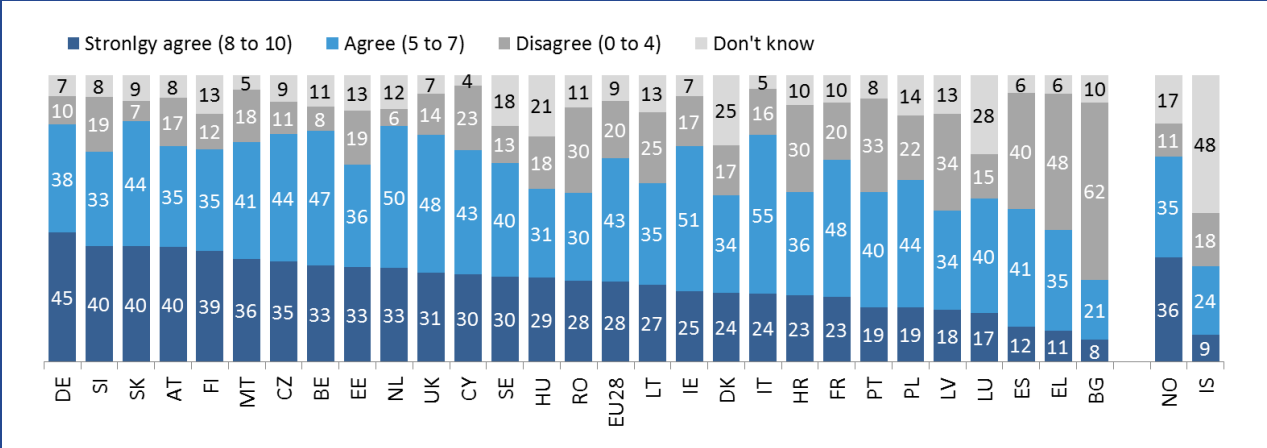
Energy efficiency measures, particularly those focusing on building retrofits, are a key part of Member States' strategies to address energy poverty. The report found that there is considerable scope for increased targeting of such measures, although this requires an understanding of

which are the energy-poor households. There are a wide range of approaches to implementation e.g. funding sources, extent of targeting, or implementing body, depending on national circumstances. Overall, 30% of Member States based their policies on energy efficiency measures.

Information provision, including measures relating to price comparison and transparent billing, are often found in Member States with the most liberalised markets. The report acknowledges that where there is a strong civic society movement in relation to energy or fuel poverty, the number of awareness campaigns is higher.

**The electricity study** also looked at consumers’ perceptions of prices and reported affordability. When consumers were asked if **their current electricity company offered balanced and reasonable prices**, the results showed a large variation across countries: only 8% of respondents in Bulgaria strongly agreed (scores 8 to 10) with this statement compared with 45% in Germany. In Germany, 10% of respondents selected the lowest scores on the scale (0-4); in Bulgaria, these scores were selected by 62% of respondents.

**Figure 13: Agreement with the statement: “[PROVIDER] offers balanced and reasonable prices”, by country**

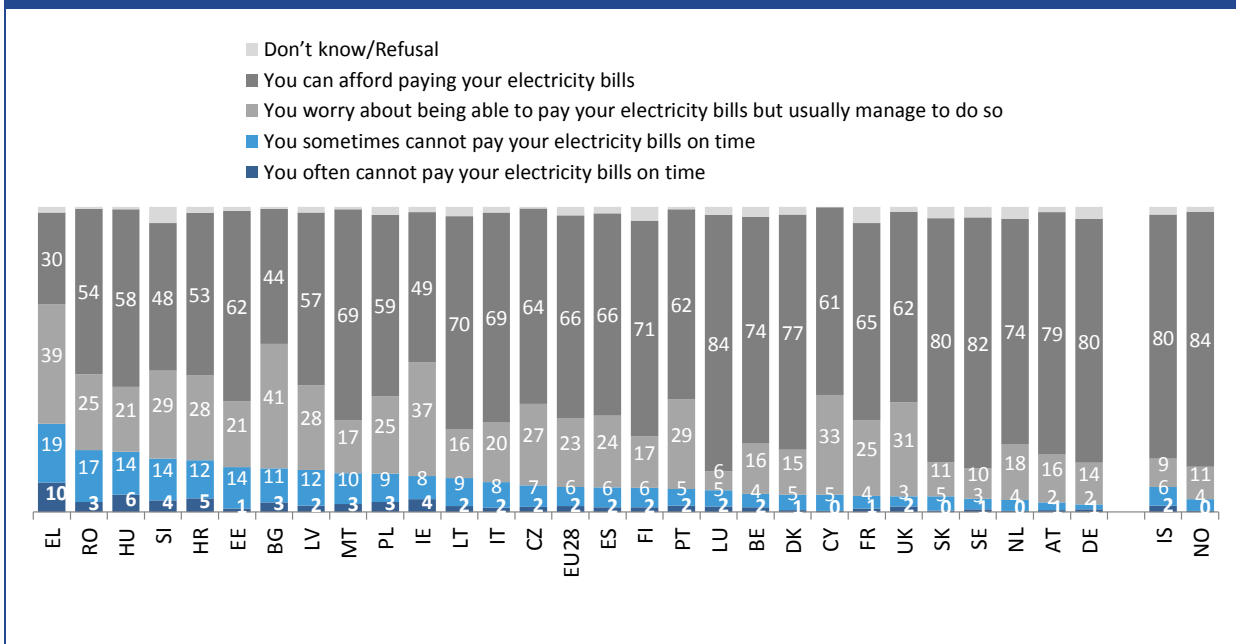


**Q17\_3. Let's move on to choice and comparability. Please indicate how much you agree or disagree with each of the following statements, using a scale from 0 to 10, where 0 means that you "totally disagree" and 10 means that you "totally agree": [PROVIDER] offers balanced and reasonable prices.**

%, by country, Base: All respondents

In Croatia, Slovenia, Hungary and Romania, 17-20% of respondents answered that they sometimes (or even often) could not pay their electricity bills on time. In Germany, Austria, the Netherlands, Sweden and Norway, this proportion stayed below 5%.

**Figure 14: Affordability of electricity bills, by country**



**Q12. Which of the following situations applies to you?**  
%, Base: all respondents

## E.2. The Vulnerability Study

Consumer vulnerability in the energy sector has also been investigated as part of **the vulnerability study**<sup>31</sup>. Consumer vulnerability and the protection of vulnerable consumers has been the subject of reports by the European Parliament<sup>32</sup>, consumer organisations<sup>33</sup> and sector-specific working groups<sup>34</sup> and has been identified as one of the key challenges to be tackled in the near future. The aim of the study has therefore been to explore and better understand the multiple causes of consumer vulnerability and to explore the role of consumer policy actions in alleviating consumer vulnerability. The full study should be published by the end of 2015.

Three dimensions of consumer vulnerability relating to the consumers' interactions with the market are especially relevant for consumer vulnerability in the energy sector. These relate to consumers 1) having difficulties in obtaining or assimilating information; 2) having failed, or being unable to buy, choose or access suitable products, and; 3) being more susceptible to marketing practices<sup>35</sup>. The findings presented below are based on data collected through a consumer survey and a behavioural experiment in five EU Member States (DK, LT, PT, RO and UK)<sup>36</sup>.

### Difficulties in obtaining or assimilating information

<sup>31</sup> "Consumer vulnerability across key markets in the European Union (EACH/2013/CP/08).

<sup>32</sup> "European Parliament resolution on a strategy for strengthening the rights of vulnerable consumers" (2011/2272(INI))-<http://www.europarl.europa.eu/sides/getDoc.do?type=TA&reference=P7-TA-2012-0209&language=EN&ring=A7-2012-0155>

<sup>33</sup> [http://ec.europa.eu/consumers/empowerment/docs/eccg\\_opinion\\_consumers\\_vulnerability\\_022013\\_en.pdf](http://ec.europa.eu/consumers/empowerment/docs/eccg_opinion_consumers_vulnerability_022013_en.pdf)

<sup>34</sup> [http://ec.europa.eu/energy/sites/ener/files/documents/20140106\\_vulnerable\\_consumer\\_report\\_0.pdf](http://ec.europa.eu/energy/sites/ener/files/documents/20140106_vulnerable_consumer_report_0.pdf)

<sup>35</sup> The full study identifies and studies the incidence and drivers of five core dimensions of consumer vulnerability and covers the financial and online sectors in addition to the energy sector. The two other dimensions of vulnerability identified in the study relate to having a) heightened risk of negative outcome or impacts on well-being and b) characteristics that limit ability to maximise well-being.

<sup>36</sup> The full study covers EU 28 + Norway and Iceland.

Consumer vulnerability may be caused by consumers having difficulties in obtaining or assimilating the information needed to make decisions about offers, suppliers and services. This may lead to a loss of welfare as a result of buying inappropriate goods or services, or of failing to buy appropriate goods and services<sup>37</sup>. Informational vulnerability also refers to situations where service providers have more information than some groups of consumers and use this to their advantage<sup>38</sup>.

As shown in Table 6, a significant share of the consumers surveyed (15%) say that they have problems comparing electricity deals due to information reasons. Information reasons include consumers either not knowing where they can find the relevant information or thinking that the suppliers do not provide enough information. Conversely, only a very small share of the consumers surveyed (2%) say that they have not switched electricity supplier for these reasons. Of the consumers who do compare product deals, a majority in all countries do this through online searches. Consumers who consult few sources when comparing deals can be assumed to be particularly vulnerable, especially if the information used comes from advertisements only. A limited share of those who do compare deals do so on the basis of information from advertisements only, but this is the case for as many as 9% in Portugal.

**Table 6: Consumers having difficulties in obtaining or assimilating information**

	<b>Has problems comparing deals due to information reasons</b>	<b>Compares product deals by using information from advertisements only*</b>	<b>Has not switched electricity supplier due to information reasons</b>
<b>Denmark</b>	20%	4%	2%
<b>Lithuania</b>	16%	4%	2%
<b>Portugal</b>	16%	9%	3%
<b>Romania</b>	25%	4%	3%
<b>UK</b>	11%	4%	1%
<b>Total**</b>	15%	5%	2%
<b>Total N</b>	4971	2687	4782

\*The results excludes the ones who never compares product deals.  
 \*\*The results are weighted to ensure that each country is represented according to its population size in the total average results.

**Inability or failure to buy, choose or access suitable products**

Another dimension of vulnerability relates to the inability or failure of consumers to buy, choose or access suitable products or to the fact that consumers cannot do so without disproportionate effort/cost/time<sup>39</sup>.

<sup>37</sup> Burden, R. (1998). "Vulnerable consumer groups: quantification and analysis". OFT Research paper, Volume 15.  
 Overall 2004 in Brennan, L., Zevallos, Z., and Binney, W. (2011). "Vulnerable consumers and debt: Can social marketing assist?" Australasian Marketing Journal, vol. 19(3), pp. 203-201  
<sup>38</sup> Cartwright, P. (2011). "The Vulnerable Consumer of Financial Services: Law, Policy and Regulation". <http://www.nottingham.ac.uk/business/businesscentres/crbfs/documents/researchreports/paper78.pdf>.  
<sup>39</sup> Burden, R. (1998). "Vulnerable consumer groups: quantification and analysis". OFT Research paper, Volume 15. Shultz, C. J. & Holbrook, M. B. (2009). "The Paradoxical Relationships Between Marketing and vulnerability". Journal of Public Policy & Marketing, vol. 28(1), pp. 124-127.  
 Stearn, J. (2012). "Tackling consumer vulnerability: An action plan for empowerment". Report written for Consumer Focus. Available at: <http://socialwelfare.bl.uk/subject-areas/services-activity/poverty-benefits/consumerfocus/tackling121.aspx>



As shown in Table 7, a large share of the consumers surveyed, 49%, do not compare electricity deals at all. This number is as high as 83% in Lithuania and 78% in Romania. When it comes to reasons why the consumers have problems comparing deals, 30% of consumers identify market reasons, including there being too many offers to choose from, that it is hard to compare like for like, that the wording used by suppliers is difficult to understand or that offers are time limited. 28% of consumers identify personal reasons for not comparing, including not having enough time, not being interested, not being financially or technically minded or not knowing how to compare. Finally, 14% of consumers say that they have problems comparing electricity deals due to access reasons, including there only being one provider in their area, that they live in a housing cooperative where such services are collectively negotiated or that they live in a rented accommodation and their landlord does not allow them to switch. The share of consumers pointing to access-related reasons is particularly high in Lithuania and Romania; the main reason identified is that there is only one provider in their area. This explains the high shares of consumers in these countries not comparing electricity deals.

Table 7: Consumers having difficulties comparing product deals

	Does not compare product deals	Has problems comparing due to market reasons	Has problems comparing due to personal reasons	Has problems comparing due to access reasons
Denmark	53%	42%	35%	15%
Lithuania	83%	15%	33%	55%
Portugal	46%	25%	28%	10%
Romania	78%	26%	37%	44%
UK	38%	31%	24%	4%
Total*	49%	30%	28%	14%
Total N	5051	4971	4971	4971

\*The results are weighted to ensure that each country is represented according to its population size in the total average results.

Table 8 shows that a majority of the consumers surveyed, 71%, have not switched electricity supplier or electricity tariff scheme in the last five years. 12% have not switched due to access reasons, 11% have not switched due to market reasons and 10% have not switched due to personal reasons.

Table 8: Reasons for not having switched electricity supplier

	Has not switched electricity supplier or electricity tariff scheme in the last 5 years	Has not switched electricity supplier due to access reasons <sup>40</sup>	Has not switched electricity supplier due to market reasons <sup>41</sup>	Has not switched electricity supplier due to personal reasons <sup>42</sup>
Denmark	63%	10%	15%	9%
Lithuania	92%	42%	4%	21%
Portugal	62%	7%	12%	11%

<sup>40</sup> Defined as: Never switched electricity supplier in the last 5 years for the one of the following reasons: *I am in debt with my current provider/s so I don't think I can switch; I live in a rented accommodation and don't think my landlord will allow me to switch; I live in a housing cooperative where such services are collectively negotiated; No other supplier is available in the area where I live.*

<sup>41</sup> Defined as: Never switched electricity supplier in the last 5 years for the one of the following reasons: *I don't think there is any difference between the suppliers to make switching worthwhile; Switching is a hassle; It is difficult to compare the offers of different electricity providers.*

<sup>42</sup> Defined as: Never switched electricity supplier in the last 5 years for the one of the following reasons: *I wouldn't know how to switch even if I wanted to; I did not know it was possible to switch; I never thought about the issue.*

<b>Romania</b>	94%	36%	10%	22%
<b>UK</b>	49%	3%	11%	5%
<b>Total*</b>	62%	12%	11%	10%
<b>Total N</b>	4782	4782	4782	4782

\*The results are weighted to ensure that each country is represented according to its population size in the total average results.

### Higher susceptibility to marketing practices

Consumer vulnerability can also be caused by consumers being more susceptible to marketing practices which may create imbalances in market interactions<sup>43</sup>. Consumer susceptibility to marketing practices and the effect of best-practice remedies are investigated through a behavioural experiment. The experiment focuses on complex tariff pricing (the marketing practice) and new information tools providing the consumers with information to help them compare the costs of different tariffs (the remedy). The remedies tested are the Tariff Comparison Rate (TCR) and Personal Projections, which are information tools introduced by the UK regulator following its Retail Market Review in 2013. In the first round of the experiment, consumers choose between two offers. In the second round, the offer that they selected in the first round became 'their current deal', and they chose between that deal and two 'new' offers.

**Table 9: Share of consumers choosing the optimal offer**

Experiment round	sector and	Proportion			Base count		
		Marketing practice	Remedy	Treatment effect	Marketing practice	Remedy	
<b>Energy sector</b>	Round 1	78%	79%	1pp		1263	1259
	Round 2	22%	37%	15p p	***	1263	1259

**Table 10: Treatment effects by country (percentage points)**

Sector and round	UK	Denmark	Portugal	Lithuania	Romania
<b>Energy sector</b>					
Round 1	-2pp	0pp	1pp	3pp	2pp
Round 2	23pp ***	18pp ***	19pp ***	10pp **	7pp

The results presented in Table 9 show that there is no significant difference between the choices of consumers in the two treatments in the first round of the experiment. However, as the situation became more complex in the second round of the experiment, the effect of providing information about the Tariff Comparison Rate and Personal Projections strongly increased. Table 10 shows that this effect is particularly strong in the UK where consumers are already familiar with the remedy, but the effect is strong and statistically significant in all other

<sup>43</sup>Baker, S., M., Gentry, J. W. & Rittenburg, T. L. (2005). "Building Understanding of the Domain of Consumer Vulnerability". *Journal of Macromarketing*, vol 25(2), pp. 128-139.

Brenkert, G. G. (1998). "Marketing and the Vulnerable". *The Ruffin Series of the Society for Business Ethics* 1998, pp. 7-20.

Hill, R. P. & Kozup, J. C. (2007). "Consumer Experiences with Predatory Lending Practices". *Journal of Consumer Affairs*, vol. 41, pp. 29-46.

Stearn, J. (2012). "Tackling consumer vulnerability: An action plan for empowerment". Report written for Consumer Focus. Available at: <http://socialwelfare.bl.uk/subject-areas/services-activity/poverty-benefits/consumerfocus/tackling121.aspx>.

Ringold, D. J. (1995). "Social criticisms of target marketing: Process or product". *American Behavioral Scientist*, vol. 38, pp. 578-592.

countries except Romania. This shows that the remedy have a strong effect even in countries where consumers are not familiar with the information tools. Analyses show that all types of respondents benefited from the remedy treatment.

### **Specific drivers of consumer vulnerability in the energy sector**

Vulnerability drivers refer to mechanisms through which individual consumers can become vulnerable and through which their vulnerability can be exploited in the market. Vulnerability drivers can relate to the individual, as well as to the broader market environment. In addition to personal and demographic characteristics, **the study on consumer vulnerability** identifies and investigates four main vulnerability drivers, namely behavioural drivers, market drivers, access drivers and situational drivers. The following sections reports on the impacts of these drivers on the three types of vulnerability indicators in the energy sector presented above.

#### **a. Demographic characteristics**

Although consumer vulnerability is a dynamic concept which should not simply be associated with specific consumer groups, some personal and demographic characteristics are linked with vulnerability according to the literature<sup>44</sup>. The analysis of demographic characteristics as drivers of vulnerability confirms that vulnerability is a dynamic concept and that certain groups, such as elderly consumers, can be more vulnerable than younger consumer groups on some indicators, while at the same time being less vulnerable on others.

The **oldest consumers** (75+) are less likely than consumers in the middle age group (35-44) to report difficulties in obtaining or assimilating information. They are, however, more likely to report problems comparing and switching deals due to access reasons than consumers in the middle age group. The oldest consumers are also more likely to have problems selecting the best deal in the behavioural experiment, indicating that they are more susceptible to marketing practices. **Young consumers** (<34) are less likely to compare deals and more likely to report problems switching energy provider due to access reasons.

**Consumers living in low density regions** are more likely to report problems comparing and switching deals due to access reasons compared to consumers living in high density regions.

The results for **consumers with a low level of education** are mixed. On the one hand these consumers report having fewer problems comparing deals than consumers with a high level of education. On the other hand they are more susceptible to marketing practices as they are less able to select the best deals in the behavioural experiment. This may be a sign of overconfidence, meaning that consumers tend to overestimate the accuracy of their judgements. Another explanation may be that consumers rely on heuristics, meaning that they use "rules of thumb" instead of making complete assessments of the offers.

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<sup>44</sup> Griffiths, M. A. & Harmon-Kizer, T. R. (2011). "Aging Consumer Vulnerabilities Influencing Factors of Acquiescence to Informed Consent". *Journal of Consumer Affairs*, vol. 45(3), pp.445-466.

Lunn, P. & Lyons, S. (2010). "Behavioural Economics and 'Vulnerable Consumers': A Summary of Evidence". Economic and Social Research Institute (ESRI). Available at:

<http://www.communicationsconsumerpanel.org.uk/Behavioural%20Economics%20and%20Vulnerable%20Consumers%20final%20report%20correct%20date.pdf>.

Nardo, M., Loi, M., Rosati, R. & Manca, A. R. (2011). "The consumer empowerment index. A measure of skills, awareness and Engagement of European consumers. JRC Scientific and Technical Reports No. EUR 24791 EN.

Stearn, J. (2012). "Tackling consumer vulnerability: An action plan for empowerment". Report written for Consumer Focus. Available at: <http://socialwelfare.bl.uk/subject-areas/services-activity/poverty-benefits/consumerfocus/tackling121.aspx>.

A final socio-demographic driver of vulnerability in the energy sector is the language barrier. **Consumers having a different mother tongue** than that spoken in their country of residence report having more problems than their native speaking peers in comparing and switching electricity deals due to access reasons.

### **b. Behavioural drivers**

Behavioural drivers relate to the individual and include biases and heuristics, as well as broader cognitive limitations. An important aspect of behavioural vulnerability drivers is the fact that they are observed across all consumer groups, which in turn means that all consumers can be in a position of vulnerability depending on the situations they find themselves in and the way a choice is presented to them. The analyses of behavioural drivers of vulnerability in the energy sector allow for the identification of certain patterns.

**Consumers with high impulsiveness**<sup>45</sup> are more likely than others to report that they rely on information from advertisements when comparing deals<sup>46</sup>, to report having problems in comparing deals due to market reasons and personal reasons<sup>47</sup> and not being able to select the best deals in the experiment<sup>48</sup>. They are, however, less likely than others to report not having compared deals and to find it very difficult to compare deals<sup>49</sup>.

**Consumers that are risk taking** are more likely to report problems comparing and switching deals due to access reasons.

**Knowledgeable consumers**, who know the meaning of kWh, are more likely to report having problems comparing and switching deals due to access reasons. This may be explained by the fact that more knowledgeable consumers tend to be more aware of their problems and shortcomings.

**Consumers with high computational ability** are less likely to be prevented from switching due to personal reasons, and are more likely to select the best offers in the experiments. This means that consumers with high computational abilities are at a distinct advantage when it comes to comparing complex tariff pricing. Consumers with high computational abilities are, however, also more likely to report problems comparing deals due to access-related factors and are less likely to compare deals. The latter points to a mismatch between consumer skills and engagement in the market as the consumers best able to compare deals tend not to compare.

### **c. Market drivers**

Market drivers refer to the functioning of the market and ways in which it can contribute to consumer vulnerability. These include information problems, such as consumers not having enough information to make informed decisions, and competition problems, where the nature of competition can result in consumers being vulnerable. The market drivers of vulnerability in the energy sector are diverse, but some patterns can be identified and these drivers have the strongest and most consistent effects compared to other types of drivers.

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<sup>45</sup> These findings are based on four impulsiveness measures, which are based on the extent that the respondent agree with the statements: 1) *I have a hard time breaking bad habits*, 2) *I'm good at resisting temptation*, 3) *People would say that I have very strong self-discipline*, 4) *I'm impulsive in the purchase decisions I take*.

<sup>46</sup> Based on impulsiveness measure 2.

<sup>47</sup> Based on impulsiveness measures 1 and 4, respectively.

<sup>48</sup> Based on impulsiveness measure 4.

<sup>49</sup> Based on impulsiveness measure 1.

**Consumers who have been unable to read terms and conditions due to small print** are more likely to report having experienced problems comparing deals due to information reasons, personal reasons and market reasons and to have had problems switching due to access reasons.

**Consumers who seldom compare product deals** also report having more problems with switching. Furthermore, it is clear that **consumers who are less engaged** in the energy market, through e.g. not knowing the terms of their contract, not reading their energy bill or finding it difficult to read the energy bill are more likely to be vulnerable in terms of reporting having problems comparing and switching deals.

#### **d. Access drivers**

Access drivers refer to a range of mechanisms through which consumers can have restricted access to markets, goods and services. The access drivers investigated in **the study on consumer vulnerability** are online access and online activity.

The analysis of access drivers show that the **consumer's online activity level has limited impact** on their perceived difficulty in obtaining information, their perceived ability to buy, chose and access product and on their susceptibility to marketing practices. However, **consumers who use the internet frequently to compare prices** are more likely to report that they have problems comparing products due to access reasons and problems switching due to personal factors. This may be because they are more engaged and aware of the offers available in the market. **Consumers who use the internet for many different activities**, such as comparing prices, online banking, social networking etc., are less likely to report problems comparing deals due to access reasons and are less likely to report relying on advertisements only when comparing deals.

#### **e. Situational drivers**

Situational drivers refer to mechanisms through which a consumer's current situation results in vulnerability. This includes situations such as financial difficulties and life changes.

The analyses of situational drivers show that a consumer's life situation influences the likelihood of being vulnerable in the energy sector. **Consumers who are divorced, separated or widowed** are less likely to compare deals in the energy sector. **Consumers who are widowed** are also more likely to report having problems with comparing due to access reasons, but are less likely to report having problems in comparing deals due to market reasons. **Single consumers** are more likely to have problems comparing and switching deals due to market reasons, but are less likely to have never compared deals and to report having problems comparing deals due to access reasons. **Consumers with dependent children** are more likely to have problems switching due to access reasons.

Finally, the results show that **consumers who have difficulties making ends meet** are more likely to find it very difficult to compare deals and to have problems comparing and switching deals due to access reasons.

## F. Consumer Innovation

An increasing number of energy consumers are engaging in activities that go beyond consumption, moving towards self-generation and cooperative consumption/production models, using smart metering infrastructure and ICT technologies. Together with energy companies proposing innovative products, processes and services to their clients, new market actors are also emerging. Energy services companies (ESCOs), aggregators, data management companies and other commercial entities are becoming increasingly visible by offering new and innovative services to consumers.

### F.1. Case studies

According to the first findings of the stakeholder surveyed in the electricity study, the main innovations in the electricity market for consumers were:

- Price comparison tools
- Collective switching
- Feed-in tariffs
- Smart meters

The first area was the subject of a separate section (see Section C.2. above), and for the other three areas separate case studies were conducted across three countries. Preliminary<sup>50</sup> findings are as follows (case studies are currently with stakeholders for final validation):

#### *a) Case Study of iChoosr Switching Platform in the UK*

Collective switching can be a powerful tool to stimulate consumers - in particular consumers who may have been more reluctant to engage with the market - to consider switching to lower energy tariffs, although the impact of such a tool depends to some extent on the maturity of the national market. The strength and sustainability of such business models lie in the ability of all stakeholders to realise benefits (the consumer to have a lower tariff, the supplier to gain market share, and – where they choose to be involved – authorities to leverage market mechanisms to deliver lower costs for citizens and assist in the alleviation of energy poverty).

iChoosr's public/private approach ensures that a 'neutral' stakeholder (i.e. the local authority) is part of the switching process, which ensures a degree of oversight, as well as an obligation by the local authority to actively market the switching solution. However, not all switching campaigns have this business model, and it is up to national authorities to consider to what extent they become an active partner or supervisor of switching campaigns (supervision and accreditation is becoming more frequent for price comparison tools<sup>51</sup>). A recent Ofgem report, published in February 2014, raised the desirability of accrediting third party intermediates (TPIs) in a similar fashion to comparison tools<sup>52</sup>. In the UK a legal framework for TPIs is currently being developed by the Working Group on TPIs, coordinated by Ofgem<sup>53</sup>. An

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<sup>50</sup> At the drafting of this Staff Working Document case studies were with stakeholders for final validation.

<sup>51</sup> See for example modes of accreditation for comparison tools in European Commission, 2014, Study on the coverage, functioning and consumer use of comparison tools and third-party verification schemes for such tools

<sup>52</sup> Ofgem (2015), 'Protecting consumers in collective switching schemes'. Available at: <https://www.ofgem.gov.uk/ofgem-publications/85960/collectiveswitchingfinal2correctedvers.pdf>

<sup>53</sup> Ongoing work documents can be found under the Ofgem dedicated webpage section, 'Third Party Intermediate (TPI) Programme'. Accessed September 2015. Retrieved from: <https://www.ofgem.gov.uk/gas/retail-market/market-review-and-reform/third-party-intermediaries-tpi-programme>

alternative is the code of practice maintained by the UK's Utilities Intermediaries Association (UIA), which was established as a trade association for TPIs in 2010. Their code involves a set of standards for TPIs operating in the energy market<sup>54</sup>. However, regardless of these initiatives, collective switching schemes must naturally comply with consumer protection law requirements<sup>55</sup>. For collective switching to have an impact in lowering energy costs for consumers, appropriate market practices which build trust with consumers and other important stakeholders (energy companies, local authorities, consumer associations, and NRAs as appropriate) are very desirable.

*b) Belgian Green Certificates (Case Study for Feed-in Tariffs)*

From a consumer perspective, the development of the photovoltaic (PV) market in Belgium is an interesting case study. Theoretically the technology allows consumers to become prosumers at a level that is affordable for many households in contrast with other renewable energy systems, which can have much higher capital investment costs or are location specific. However, the subsidies which were created to stimulate the market ultimately have to be paid for by consumers themselves through higher electricity costs as well as via taxes. For example, in 2013 the cost of tariffs for solar PV was estimated at €2.5bn over 15 years<sup>56</sup>. So, while PV technology benefits those consumers who invested in it, all consumers actually contribute to the cost, leading to an uneven market impact at the consumer level.

At the same time, the efficiency of renewable energy in terms of delivering on Belgium's 2020 carbon reduction commitments was also considered to be insignificant, with PV accounting for less than 1% of renewable energy production in the country. An expert study concluded in 2011 that "the current, very costly, support system for solar electricity is hard to justify" and that Belgium had to consider all renewable technologies and to prioritise the most cost-efficient ones<sup>57</sup>.

This rationale is also applicable when considering the consumer welfare aspect as investment in less efficient energy sources will only lead to higher overall energy costs. While any uptake of PV technology can contribute towards lower CO<sub>2</sub> emissions, as well as lower overall energy costs to households that invest in PV, generous subsidies to the sector may be counter-productive in the context of overall retail energy policy. This may be felt strongly at the level of those facing energy poverty, and indeed may increase levels of energy poverty.

*c) The experience of the Netherlands with smart meter rollout*

Despite early discussion and interest in the deployment of smart meters, the Netherlands faced some initial opposition which led to the dropping of a mandatory take-up of smart meters in favour of a more consensual approach. Some of the lessons learned in the Dutch experience include:

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<sup>54</sup> Code of practice from UIA (accessed September 2015): <http://www.uia.org.uk/tpi-code-of-practice.htm>

<sup>55</sup> Ofgem (2015), 'Third Party intermediaries: what your small business needs to know'. Factsheets available at: [https://www.ofgem.gov.uk/sites/default/files/docs/2015/03/481\\_tpi\\_facsheet\\_may15\\_web.pdf](https://www.ofgem.gov.uk/sites/default/files/docs/2015/03/481_tpi_facsheet_may15_web.pdf)

<sup>56</sup> Enerdata, 25<sup>th</sup> March, Wallonia updates green certificate system for PV units (Belgium), retrieved from [http://www.enerdata.net/enerdatauk/press-and-publication/energy-news-001/wallonia-updates-green-certificate-system-pv-units-belgium\\_17799.html](http://www.enerdata.net/enerdatauk/press-and-publication/energy-news-001/wallonia-updates-green-certificate-system-pv-units-belgium_17799.html) on 8th October 2015

<sup>57</sup> Dr. Lydia Greunz, Expert Evaluation Network, Delivering Policy Analysis on the Performance of Cohesion Policy 2007-2013, Year 1 – 2011, Task 1: Policy Paper on Renewable Energy and Energy Efficiency of Residential Housing: Belgium

- Smart meter deployment needs the involvement of all actors affected by the policy: from households to electricity suppliers, DSOs and the responsible public agents.
- Having an evaluator (i.e. RVO in the case of the Netherlands) adds value because it allows lessons learned to be analysed and incorporated to optimise policy and the development of smart meter rollout.
- The understanding of the needs and concerns of consumers is necessary for both acceptance and meaningful impact: information campaigns or public discussions can be a good opportunity to receive their feedback.
- A good understanding of smart metering at the level of households is crucial for its acceptance and appropriate deployment.
- A two-stage approach can be beneficial to test how all agents respond to the policy, as well as to improve its initial design.
- Smart meter deployment should be accompanied by appropriate data visualisation systems to ensure that consumers receive customised feedback on their energy use.
- Visual and persistent feedback can create powerful habit-forming patterns in households, which will ultimately lead to the realisation of the expected benefits of energy efficiency and savings.

## **F.2. Smart energy use (from providers' websites)**

The following table presents an overview of energy efficiency-related topics for which mystery shoppers had found information on the provider's website. An analysis across the various topics showed that providers in the Czech Republic, Italy, Lithuania and Poland scored worst in terms of providing information on energy efficiency-related topics on their websites. For example, while 40% of shoppers in the UK had found information about smart energy tools on the provider's website, this percentage fell to 2% in the Czech Republic, 7% in Italy, 8% in Poland, and 12% in Lithuania.



**Table 11: Proportion of mystery shoppers who found information about various energy efficiency related topics on providers' websites**

	UK	SI	DE	FR	SE	ES	LT	PL	IT	CZ	Total
<b>Advice on rational energy use/energy saving</b>	68%	66%	67%	61%	56%	57%	30%	37%	31%	16%	<b>50%</b>
<b>Improving your home's energy performance</b>	59%	62%	54%	43%	48%	47%	28%	20%	16%	14%	<b>39%</b>
<b>Smart energy tools</b> (e.g. "smart" power strips that automatically cut power to devices when they go into standby mode)	40%	26%	26%	35%	18%	20%	12%	8%	7%	2%	<b>20%</b>
<b>Self-generation of electricity</b> (e.g. using solar panels)	40%	32%	18%	17%	32%	15%	10%	7%	12%	2%	<b>18%</b>
<b>Grants and allowances to improve your home's energy performance</b>	37%	20%	22%	23%	10%	7%	0%	3%	9%	4%	<b>14%</b>
<b>Other</b>	5%	2%	8%	0%	10%	0%	6%	1%	0%	0%	<b>3%</b>

Q8. Do you find any information/advice on sustainable energy use/saving electricity? Q8a. If yes, what type of information could you find?  
Base: all mystery shoppers

The proportion of shoppers who answered that the provider's website contained information about **smart meters** was 4% in Lithuania and the Czech Republic, but increased to 43% in the UK. In France, Germany, Slovenia and Sweden, more than a fifth of shoppers found information about smart meters (21-28%).

In Sweden and the UK, more than a third of mystery shoppers found **a tool to compare their energy use** to others' energy use or average energy use (34% and 36% respectively). In Italy and Lithuania, on the other hand, less than a tenth of shoppers reported that such a tool was available (8% and 4% respectively).

The proportion of mystery shoppers who found information about **energy service contracts**<sup>58</sup> on the provider's website ranged from 18% in the Czech Republic and Germany to 71% in Poland.

<sup>58</sup> An energy service contract is a contract between provider and client to implement certain measures to improve energy efficiency.

**Table 12: Proportion of mystery shoppers who found information about various energy efficiency related topics on providers' websites**

	PL	UK	SE	FR	SI	ES	DE	CZ	IT	LT	Total
<b>Energy service contracts</b>	71%	20%	28%	37%	32%	53%	18%	18%	31%	26%	<b>35%</b>
<b>A tool to compare your energy use to others' energy use or average energy use</b>	22%	36%	34%	29%	28%	12%	30%	30%	8%	4%	<b>23%</b>
<b>Smart meters</b>	9%	43%	28%	21%	26%	9%	22%	4%	11%	4%	<b>18%</b>

Q11. Does the website contain a tool to compare your energy use to others' energy use or average energy use?

Q12. Do you find any information on smart meters?

Q13. Do you find any information on energy service contracts?

Base: all mystery shoppers

### **F.3. Smart energy use (from telephone enquiry)**

Mystery shoppers in Lithuania were consistently the least likely to report having received complete and correct information when calling an electricity provider to ask questions about energy efficiency. For example, just 10% of mystery shoppers in Lithuania answered that the operator had been able to provide them with complete information about rational energy use and energy saving; this proportion increased to 69% in Germany. Similarly, the proportion of shoppers who received complete and correct information about self-generation of electricity varied between 8% in Lithuania and 52-54% in Sweden and Germany.

In the previous section, it was observed that providers in the Czech Republic scored worst in terms of providing information on energy efficiency-related topics on their websites. A different picture emerged when shoppers tried to obtain information by phone; for the various topics, 34-46% of shoppers in the Czech Republic answered that they had obtained complete and correct information when contacting the provider by phone.

The results for information received about smart meters showed that 56% of shoppers in the UK reported having received complete and correct information about such meters; in Sweden, this proportion was 50%. In Italy and Lithuania, on the other hand, less than a tenth of mystery shoppers said that the operator had been able to provide them with complete and correct information about smart meters.

**Table 13: Proportion of mystery shoppers who reported having received complete/correct information about various energy efficiency related topics**

	DE	SE	UK	FR	CZ	SI	ES	PL	IT	LT	Total
<b>Rational energy use/energy saving</b>	69%	54%	52%	52%	46%	<b>58%</b>	35%	33%	33%	10%	<b>45%</b>
<b>Improving your home's energy performance;</b>	59%	58%	53%	43%	42%	50%	32%	24%	28%	8%	<b>40%</b>
<b>Energy service contract</b>	36%	36%	36%	39%	34%	22%	32%	51%	33%	22%	<b>36%</b>
<b>Self-generation of electricity</b>	54%	52%	47%	33%	38%	34%	19%	18%	23%	8%	<b>33%</b>
<b>Smart meters</b>	44%	50%	56%	33%	36%	32%	32%	26%	9%	8%	<b>33%</b>
<b>Grants and allowances to improve your home's energy performance</b>	39%	40%	53%	32%	36%	22%	21%	19%	21%	10%	<b>30%</b>
<b>Smart energy tools</b>	39%	48%	35%	40%	36%	22%	21%	19%	16%	6%	<b>28%</b>

Q15-Q21. Ask the operator for advice about [topic]; how do you rate the information/advice received? % "provided complete/correct information; Base: all mystery shoppers

## G. Compliance of commercial practices with consumer and contract law

### G.1. Consumer complaints and enquiries

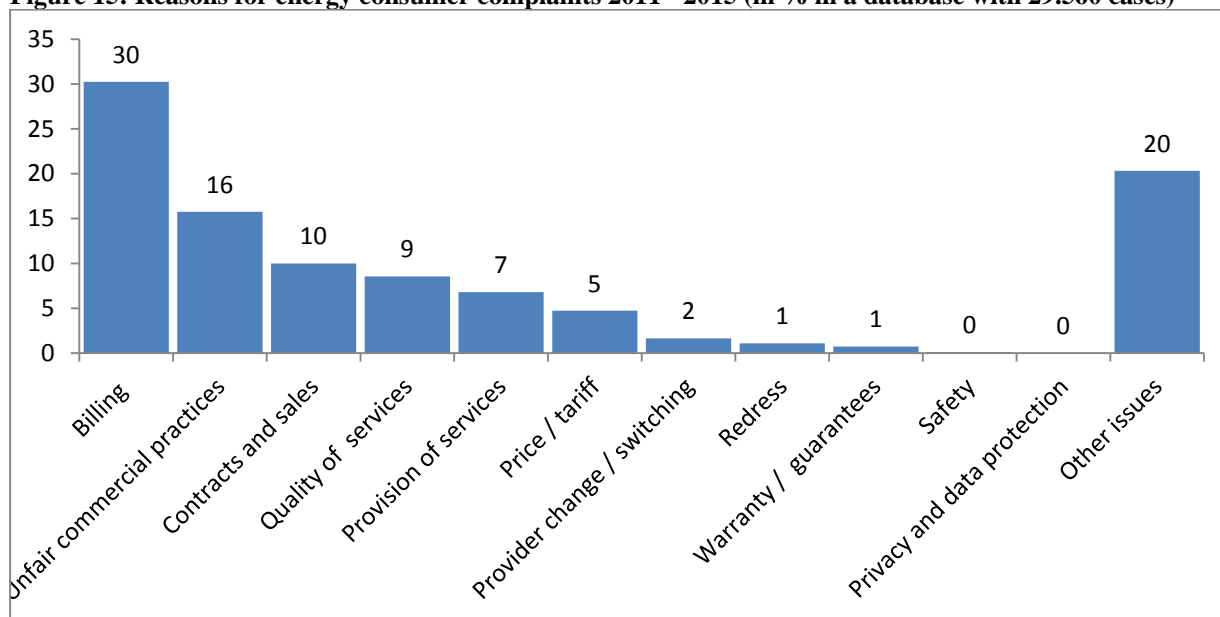
Consumer complaints are a key source of information on the functioning of consumer markets across the EU. In order to ensure comparable data across the EU, the Commission adopted a "Recommendation on the use of a harmonised methodology for classifying and reporting consumer complaints and enquiries" in May 2010.<sup>59</sup>

The Recommendation calls on all third-party complaint bodies (national authorities, consumer organisations, alternative dispute resolution (ADR)<sup>60</sup> entities, independent energy ombudsmen, etc.) to classify complaints according to a common taxonomy and to report the data to the Commission. The system does not cover consumer complaint handling mechanisms operated by traders. Data in the "energy and water" sector is composed of "water", "electricity", "gas", and "other energy sources" markets. Figures 15 and 16 on the reasons for energy consumer complaints and enquiries do not include data on the "water" market.

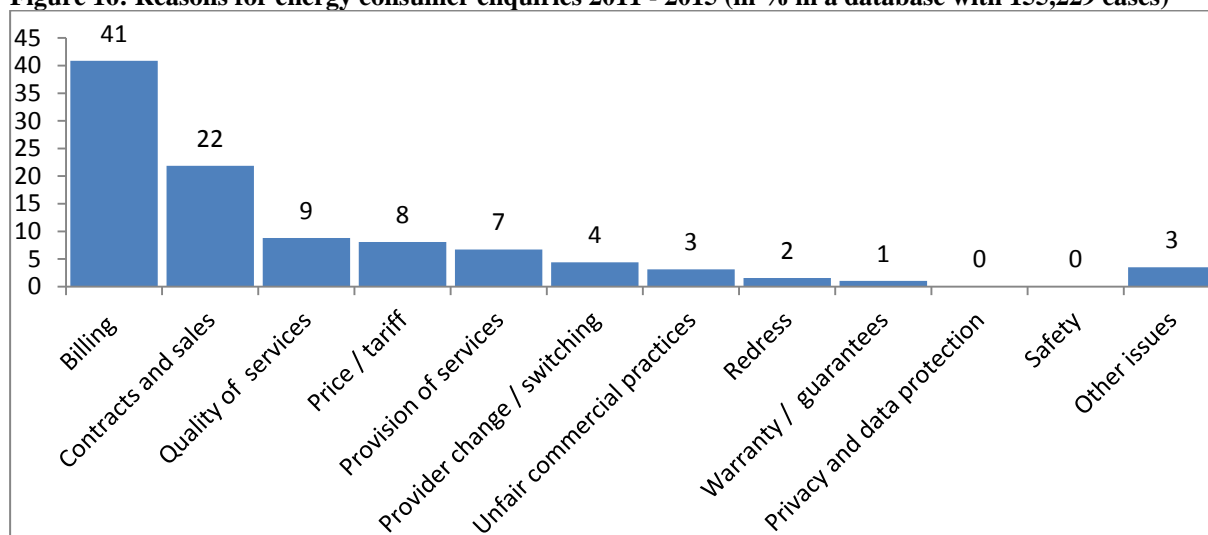
<sup>59</sup> 2010/304/EU, OJ L 136, 2.6.2010, p. 1–31. According to the Recommendation, "consumer complaint" means a statement of dissatisfaction with a specific trader made by a consumer to a complaint handling body, in relation to the promotion, sale or supply of a good or a service, use of a good or a service or after-sales service. "Consumer enquiry" means a request for information or advice, other than a complaint, made by a consumer to a complaint handling body concerning the promotion, sale or supply of a good or a service, use of a good or a service or after-sales service.

<sup>60</sup> Report on ADR in the Energy Sector in Europe:  
<https://drive.google.com/file/d/0B3P6oDG7Gz8DVnZUeWITR1NxNIE/view?pli=1>

**Figure 15: Reasons for energy consumer complaints 2011 - 2015 (in % in a database with 29,560 cases)**



**Figure 16: Reasons for energy consumer enquiries 2011 - 2015 (in % in a database with 155,229 cases)**



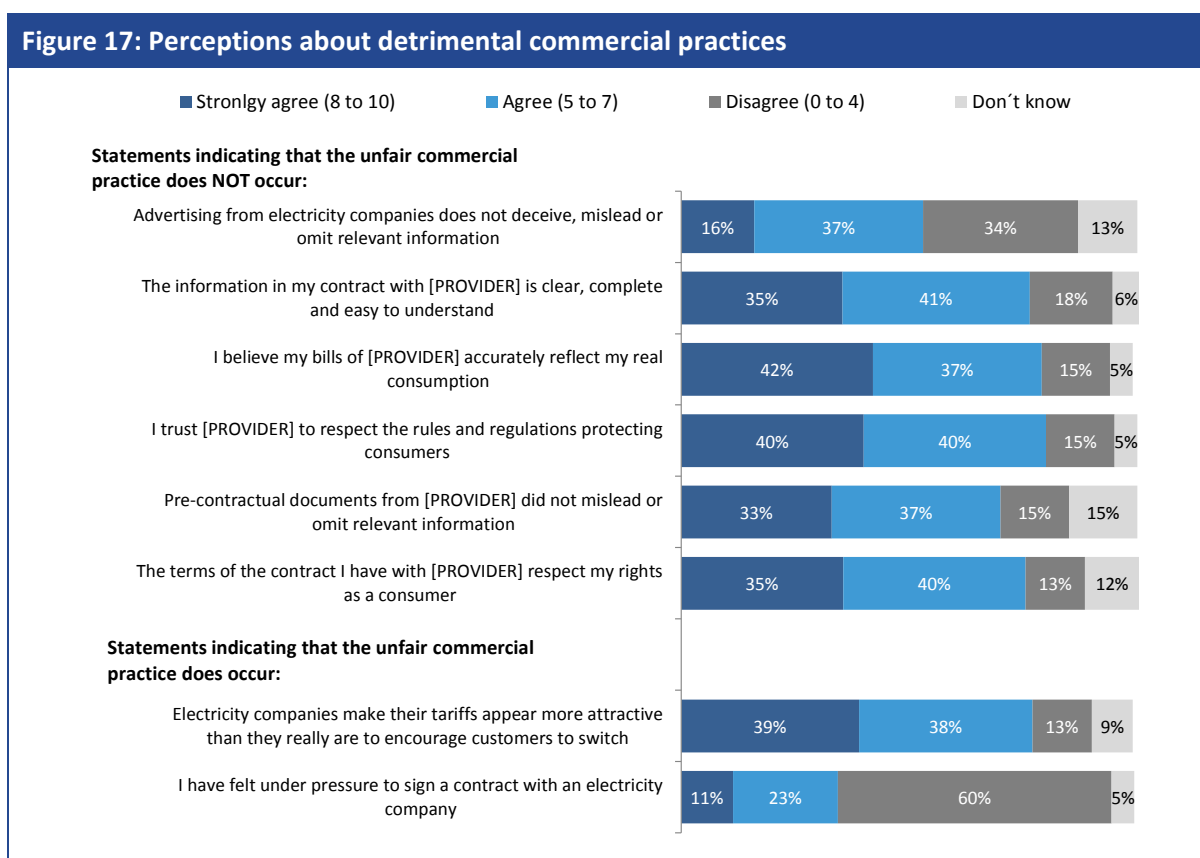
## G.2. Consumers' views on detrimental commercial practices

When asked about various practices that consumers encountered when dealing with their energy company, for the following five statements, roughly one in seven respondents answered that such practices occurred:

- When asked whether the **information in the contract with their current electricity company was clear, complete and easy to understand**, 18% of respondents disagreed (they selected scores 0 to 4 on a scale labelled from 0 to 10).
- When asked whether they thought that their **electricity bills accurately reflected their real consumption**, 15% of respondents disagreed.

- When asked whether they trust their electricity company to respect the rules and regulations protecting consumers, 15% disagreed.
- When asked whether **pre-contractual documents from their electricity company did not mislead or omit relevant information**, 15% disagreed.
- When asked whether the **terms of the contract they have with their current electricity company respect their rights as a consumer**, 13% of respondents disagreed.

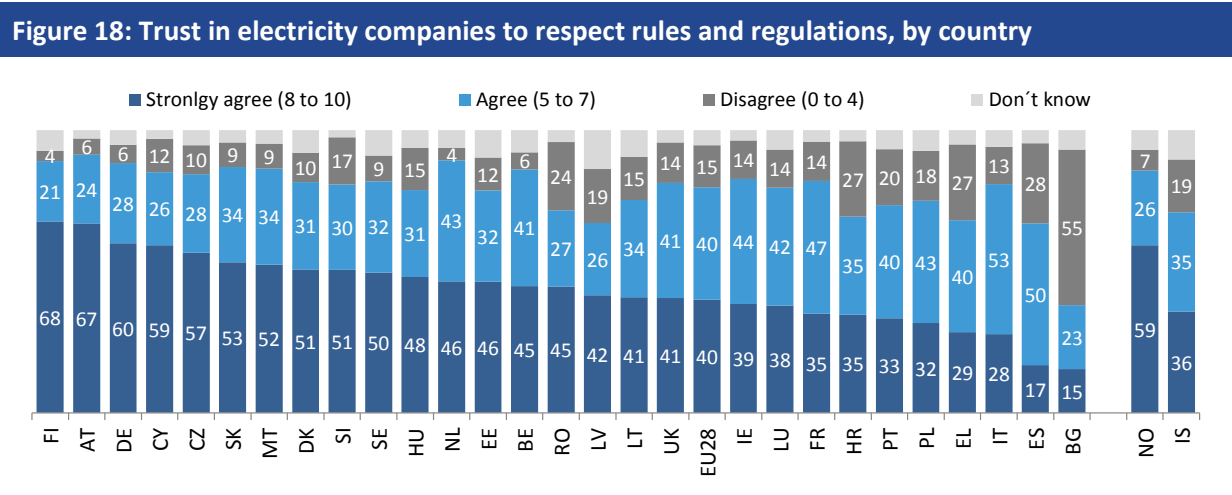
Results from the statements above would tend to indicate that problems related to unfair or detrimental commercial practices or to breach of contract were relatively rare, a conclusion that was also formulated in the **first retail electricity market study**. This conclusion, however, does not hold when looking at the two statements about advertising from electricity companies. Here the study found that 34% of respondents consider<sup>61</sup> that **advertising from electricity companies deceives, misleads or omits relevant information**. Similarly, 39% of respondents strongly agreed (by selecting scores 8 to 10 on the scale) and an additional 38% agreed (scores 5 to 7) that **electricity companies made their tariffs appear more attractive than they really were to encourage customers to switch**.



Q5\_1 to 8. To what extent do you agree or disagree with the following statements. Please use a scale from 0 to 10, where 0 means that you “totally disagree” and 10 means that you “totally agree”.  
% EU28, Base: all respondents

<sup>61</sup> Respondents disagreed (by selecting scores 0 to 4 on the scale) with the statement that “Advertising from electricity companies does not deceive, mislead or omit relevant information”.

In Austria and Finland, some two-thirds (67-68%) of respondents selected the highest scores on an 11-point agreement scale when asked if **they trusted their electricity company to respect the rules and regulations** set up to protect consumers. In Bulgaria and Spain, on the other hand, only approximately one in six respondents selected the highest scores (15% and 17% respectively). In Bulgaria, 55% of respondents disagreed with the statement (they selected scores 0 to 4), while in Spain this figure was far lower at 28%.



Q5\_8. To what extent do you agree or disagree with the following statements. Please use a scale from 0 to 10, where 0 means that you “totally disagree” and 10 means that you “totally agree”: I trust [PROVIDER] to respect the rules and regulations protecting consumers  
%, Base: all respondents

### G.3. Results of the electricity study stakeholder consultation

In addition to some of the examples of detrimental commercial practices included in pre-coded survey options, problematic practices were also mentioned by stakeholders:

- **Aggressive sales:** complaints regarding telemarketing, doorstep selling or other sales techniques, which may be considered intrusive if occurring persistently.<sup>62</sup>
- **Misleading advertising:** issues where consumers complain of receiving higher than expected costs or lower than expected savings.
- **Targeting of older consumers:** reports of older consumers being targeted for electricity contracts, which are subsequently found to be more expensive. It was noted previously that especially the elderly found it difficult to choose the cheapest deal – see results of the behavioural experiment.
- **Detrimental billing practices/metering issues:** disputes over meter readings and accusations of manipulation by electricity suppliers; high or punitive costs (such as late payment fees, connection costs etc.).
- **Treatment of vulnerable consumers:** complaints regarding the treatment of vulnerable consumers.
- **Contractual issues:** issues regarding the cost or conditions of electricity supply contracts.

<sup>62</sup> It must be noted that the specificities of telemarketing and doorstep selling have led to tailor-made protection under the Consumer rights Directive 2011/81/EU that grants a right of specific consumer information and withdrawal from the contract.

- **Monopoly or market issues:** this category concerns abuse of a monopoly or dominant market position, either directly or indirectly, in a way which ultimately impacts upon consumers

Table 14: Incidence and category of detrimental practices across countries							
Country	Aggressive sales	Misleading advertising or sales tactics, fraud	Targeting of older consumers	Unfair billing practices /Metering issues	Treatment of vulnerable consumers	Contractual issues	Monopoly or market position issues
Austria							
Belgium	X	X	X				
Bulgaria							
Croatia							
Cyprus				X			X
Czech Republic	X		X				
Denmark		X			X		
Estonia							
Finland	X						
France				X			
Germany				X		X	
Greece		X		X			X
Hungary				X			
Iceland							
Ireland				X			
Italy				X		X	
Latvia						X	
Lithuania							
Luxembourg							
Malta				X			
Netherlands							
Norway				X			
Poland	X	X				X	X
Portugal							
Romania							
Slovakia	X	X					
Slovenia							
Spain				X			
Sweden						X	
United Kingdom							

The specificities of telemarketing and doorstep selling have led to tailor-made protection under the Consumer rights Directive 2011/81/EU that grants a right of specific consumer information and withdrawal from the contract. However, findings show that consumers are still confronted with such practices in some Member States to a greater or smaller extent depending on the type of complementary measures taken at national level.

## H. Key Conclusions

The first findings of the vulnerability and the electricity studies, and the reports of the INSIGHT\_E and comparison tools studies, allow for the following conclusions to be made.

### *Consumer information*

Results of the studies show that there is room for improving the **clarity of bills** in order to enable a higher percentage of consumers to understand them and make the best choices in terms of supplier and tariff, thereby enhancing competition in the market.

The price structure proved to have an important impact on consumers' ability to choose the best deal. Consumers found items such as how the billing amount is calculated, the switching code, or information provided about the fuel mix difficult to understand. The best practice bill, which included a comparability box, performed better in terms of ease of understanding and in finding the relevant information. Furthermore, the behavioural testing shows that graphs are more suitable for presenting information on energy usage. When viewing their consumption history in a table, only 42% of respondents could correctly answer how much energy they had consumed in the previous year, compared to 58% of respondents who were shown their consumption history in a chart.

Regular bills or communication on actual consumption can help consumers to plan their spending and encourage them to be more active as they take control of their consumption levels (investing in energy-efficient appliances, etc.). Evidence shows that consumers are interested in how the energy they consume is being produced. 42% of respondents in the behavioural experiment chose a **green offer** that included a low premium, while 37% chose a green offer when the premium was high. The findings related to green energy thus demonstrate that information on the energy mix in consumers' bills could encourage consumers to switch to greener deals, thereby contributing to the EU's energy efficiency target.

### *Choice and comparability*

There was a large disparity in the information provided by **company websites** and that provided by **customer services**, with customer services providing much more and accurate information. The implication is that company websites could be improved to ensure consumers can easily access accurate information on their rights, such as free-of-charge switching. Only 45% of respondents stated that no switching charges are allowed.

In terms of **switching**, respondents were more likely to choose the best deal when the price structure of electricity offers in their bills was straightforward, implying that there is a need to avoid complicated pricing structures as they can be confusing. As regards consumer engagement, status quo bias was evident in the behavioural experiment with 63% of respondents staying with the current deal, while in only 50% of those cases the current deal actually represented the best offer. This again highlights the need for consumers to be better informed and have greater awareness of what they are paying for (and indeed how they could benefit from switching). Of respondents who had compared tariffs, 64% had used a web comparison tool, emphasising the need for them to work effectively.

It clearly emerged from **the comparison tool study** that **independent accreditation schemes** - especially if managed by a regulator - for price comparison tools would increase consumer levels of confidence and trust in energy markets. There tended to be a lack of transparency among examined **price comparison tools** when providing information on revenue sources,



supplier relationships, etc., which is likely to impact negatively upon confidence and trust. These findings should be taken into account when assessing existing tools or establishing new ones. In its recent communication "Delivering a New Deal for Energy Consumers", the Commission advocated the need for each consumer to have access to at least one independent and verified comparison tool to assess their current contract against all offers available on the market. Such an online price comparison tool in each Member State could be independently verified by, for example, the national regulatory authority.

### ***Energy poverty and consumer vulnerability in the energy sector***

Energy poverty refers to the situation where individuals are not able to adequately heat their homes at an affordable cost or access the necessary energy services. Energy poverty can clearly be linked to general poverty, with consumers facing affordability issues (low income, poor thermal efficiency of buildings, high energy costs, etc.) and it could also be linked to, yet distinct from, the concept of vulnerable consumers. **Vulnerable consumers** may not have difficulty in paying their bills, but face other issues instead. Less than a third of Member States recognise concepts of energy poverty, whereas most Member States address the concept of vulnerable consumers through social policy measures. Support for the energy poor and vulnerable consumers is available through, for example, financial interventions, and energy efficiency investment.

**The vulnerability study** findings demonstrate that consumers can be vulnerable for a number of reasons, including information barriers and asymmetry (difficulty in comparing deals, etc.). Nearly half the respondents have not compared electricity deals due to, inter alia, a surfeit of offers, and difficulties in comparing. In addition, some respondents are not able to switch as they live in rented accommodation so the supplier/tariff choice is managed by the landlord. **Unfair commercial practices** can also increase levels of vulnerability, for example, amongst those with a lower level of education or living in a country where their mother tongue is not spoken.

Other findings included the fact that the **elderly** can be more vulnerable than younger consumers when it comes to comparing deals and switching, for example, 61% of respondents under 65 selected the cheapest deal, compared with 55% of respondents of 65 years and above. Consumers who are less engaged in the energy market (e.g. they do not read their energy bills) are more likely to have problems with comparing deals and switching. On average, 63% of respondents who had compared offers chose the cheapest deal, compared with 57% of respondents who had not done so. Furthermore, respondents with a high **computational ability** were more likely to select the best offers in the experiments.

The findings of these studies suggest that many improvements can be made to ensure consumers get a better deal and are more engaged with energy markets. Consumers often face difficulties in processing information as it is presented to them, in overcoming barriers to switching, and in really engaging with the energy market. They provide the necessary information for what is still needed in order to reach the overarching objectives set in the July Communication of empowering consumers to act, giving them a wide choice of action while maintaining their full protection and support the next steps for delivering a new deal to consumers. Both Commission services and the Council of European Energy Regulators<sup>63</sup> (CEER) have started working on the development of indicators and metrics in recognition of potential market adversity faced by consumers.

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[http://www.ceer.eu/portal/page/portal/EER\\_HOME/EER\\_PUBLICATIONS/CEER\\_PAPERS/Customers/Tab5/C1\\_5-SC-36-03\\_V19\\_Well-functioning\\_retail\\_markets.pdf](http://www.ceer.eu/portal/page/portal/EER_HOME/EER_PUBLICATIONS/CEER_PAPERS/Customers/Tab5/C1_5-SC-36-03_V19_Well-functioning_retail_markets.pdf)