ABSTRACT

Many observers including EURELECTRIC still recognize a need to develop well-functioning retail markets in Europe. By improving competition customers gain from benefits in terms of prices, quality of services, choice of commercial offers and product innovation.

Taking into account existing papers on retail markets and customer protection by regulatory bodies, the European Commission as well as EURELECTRIC, this paper aims at clarifying the roles and responsibilities of Distribution System Operators (DSOs) in the liberalization process.

INTRODUCTION

In order for electricity retail markets to function properly and to allow for greater customer choice, DSOs need to be impartial and neutral. Their aim is to facilitate the market, not to participate in it. This is especially valid when

- managing metering,
- providing information to market participants
- smoothing the process of changing supplier.

The increasing amount of data and number of contractual relationships give rise to new functionalities in customer systems. Hence investments in IT systems and customer service resources will pose challenges to the DSOs. Consequently, DSOs should be allowed to have adequate returns to recover the investment and related operational expenditure.
1. FUTURE DEVELOPMENT OF METERING

The expected large-scale deployment of smart meters in many EU Member States will enable both suppliers and DSOs to use more accurate individual consumption data (load profiles) in their processes. Future ‘smart grids’ will require the availability of ‘dynamic information’, which in turn requires the availability of smart metering. However, because of the high cost and organisational challenge of large-scale introduction of smart meters, it is very important to carefully assess how smart metering should be introduced, under what conditions and with which specifications.

DSOs must be prepared to handle the expected amount of data and to exchange it with suppliers. There should be some agreement at European level on selected aspects of smart meter framework, at least on a ‘guiding principles’ basis.

Key considerations to be taken into account in this respect are:

Firstly, the functionality of any smart metering system should be determined by how it can improve customer service and retail functioning while at the same time keeping costs down. This principle implicitly recognizes that this new technology is a means toward improvement and is not an end in itself.

Secondly, although any business case with regard to large-scale introduction of smart metering depends largely on national characteristics, EURELECTRIC believes that smart metering solutions should be introduced in any national market in a manner which contributes to the development of compatible European retail markets.

A third factor is the need to reconcile mandating smart metering with (voluntary) customer choice. Any policy maker considering the mandatory introduction of smart metering should impartially separate those benefits and costs which accrue to all customers from those which only accrue to certain customer groups. Moreover, DSOs or other concerned market operators should be allowed to pass-through the net costs of smart metering systems to these electricity consumer groups in a transparent and proportionate way.

A fourth defining element is the need to allow for interoperability and product innovation. The meter should not be tied in any way. As such, a high level of interoperability and minimum technical standards are necessary in order to allow electricity consumers, suppliers and DSOs to benefit from economies of scope/ economies of scale and from innovation.

This issue has been extensively developed in EURELECTRIC’s position paper “Building a European Smart Metering Framework suitable for all Retail Electricity Customers” (May 2008).

2. DSOS AS INFORMATION HUB

Information to the supplier(s)

When DSOs are responsible for managing customer and consumption information, they should share this information with relevant market players in a timely and efficient manner. This is true in particular for suppliers, as it improves their ability to calculate quotas and target consumers with the most appropriate products. However they should at the same time maintain the necessary level of confidentiality.

The information sent to the suppliers is market information on the consumers’ data that DSOs have to facilitate in order to improve competition among suppliers. In a competitive retail market, market actors must be able to use a common market-specific communication and data management system. For this purpose, information requirements should be the same and a minimum level of information requirements should be specific.

The database format would be open and escalating so as to facilitate data exchange as well as data aggregation. It might include the following information:

- Personal Consumer Data (Name, Address),
- Consumption site info (Metering point ID, meter type, meter number, profile class etc)
- Consumption Data (Yearly, Monthly, Hourly consumption)

DSOs should provide suppliers concerned by the switching with all data related to the customer. Provided that the customer explicitly agrees, his data can be sent directly to the chosen supplier by the DSO. This enables the supplier to reduce uncertainty in the price calculation which in sum makes the offer more competitive. Therefore the DSO should attribute to each metering point a clear identification number so that an easy and fast data exchange is facilitated.

Information to the consumers

For measures of simplification, one contact point could be established with the supplier. When establishing the connection, the DSOs would send information to the customer only related to the performance of the network duties (connection, end-usage contract/terms, network tariffs, metering service etc.). This would include contact details of suppliers (or a link to a national site regarding
suppliers) and information following the Commission’s European Consumer Checklist.

However, on every piece of communication (like invoices), the suppliers must provide its customer with an emergency contact of the DSO (in the event of disruption of energy supply e.g.) the metering point number and the meter identification number.

Which information should be provided from the DSO and when?

- **In the case of a first connection**

  When the customer moves to a house or a flat that has not been connected to the network before, the DSO should inform the customer on:
  - The right to access the network
  - The time for initial connection
  - The price to establish connection
  - The connection charges (depending whether it is paid directly or through the supplier)
  - The network tariffs
  - The meter Point Reference number
  - The network access contract conditions.
  - The metering services
  - The contact in the event of disruption of energy supply
  - The importance of signing a supply contract
  - The procedures for customer claims

- **In the case of a supplier switching**

  When the customer would like to switch supplier, he should be informed on: The need of contacting a supplier (as to where to find information) and make a contract with the suppliers of his/hers choice.

During the supply switch, as suppliers exchange data, no additional information is needed to be transferred from the DSO directly to the consumer.

3. **ENSURING A RELIABLE AND SWIFT CHANGE OF SUPPLIER**

   This is one of the core business-to-business processes between DSO and suppliers. A well-functioning retail market should ensure that the related processes are carried out reliably and swiftly. This requires clear operational and organisational rules as the processes necessitate a very high level of coordination between actors including data format standards across national regions and Europe. In a liberalized retail market, network operators and other service providers must be able to interact with, and provide services for several supply companies.

   Currently, the different supplier switching models in Europe include variations on the roles of market participants in this process. This means that it is only possible to enter the market of another Member State by investing in country-specific infrastructure systems and processes. The regional market integration, as previous stage for a common electricity market, implies that integrated national retail markets should be compatible. However this compatibility and/or interoperability will not happen by itself; all parties including market actors, regulators, governments, the European Commission and also customers should play an active role in ensuring that compatible systems, rules and processes are put in place.

   Information technology plays a key role in the implementation of the change of supplier. It is, however, important to separate the definition of information and processes from the technology used to implement efficient information exchanges. This is important because new technologies are currently developing and it should be possible to make use of new and more efficient technologies without having to remodel the process.

   Flawless and efficient implementation of business requires the interoperability of the corresponding IT support infrastructure to ensure simple, quick and reliable customer related processes. In this way, customers can be confident about exercising their right to choose their supplier and that this switch will have positive effects on their electricity supply or bill without any risk.
4. FUTURE REGULATORY TRENDS

Several regulatory changes are expected for the coming year

- Third Market Package
- London Forum 2009: on the agenda
  - Standardization of minimum functionality of smart meters
  - ERGEG will present an indicative note/guidance on independence principles for DSO and separation of customer information system/register and provision of customer data to suppliers requesting it