

L'evoluzione dei mercati retail in Europa e in Italia: successo o fallimento?

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I nodi da sciogliere per il passaggio finale dalla tutela
al mercato libero nell'energia elettrica e nel gas

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Disclaimer: The opinions expressed in this presentation are those of the author and do not represent the official views of AEEGSI

Setting expectations



✓ **Defeuilly (*Energy Policy*, 2009)**

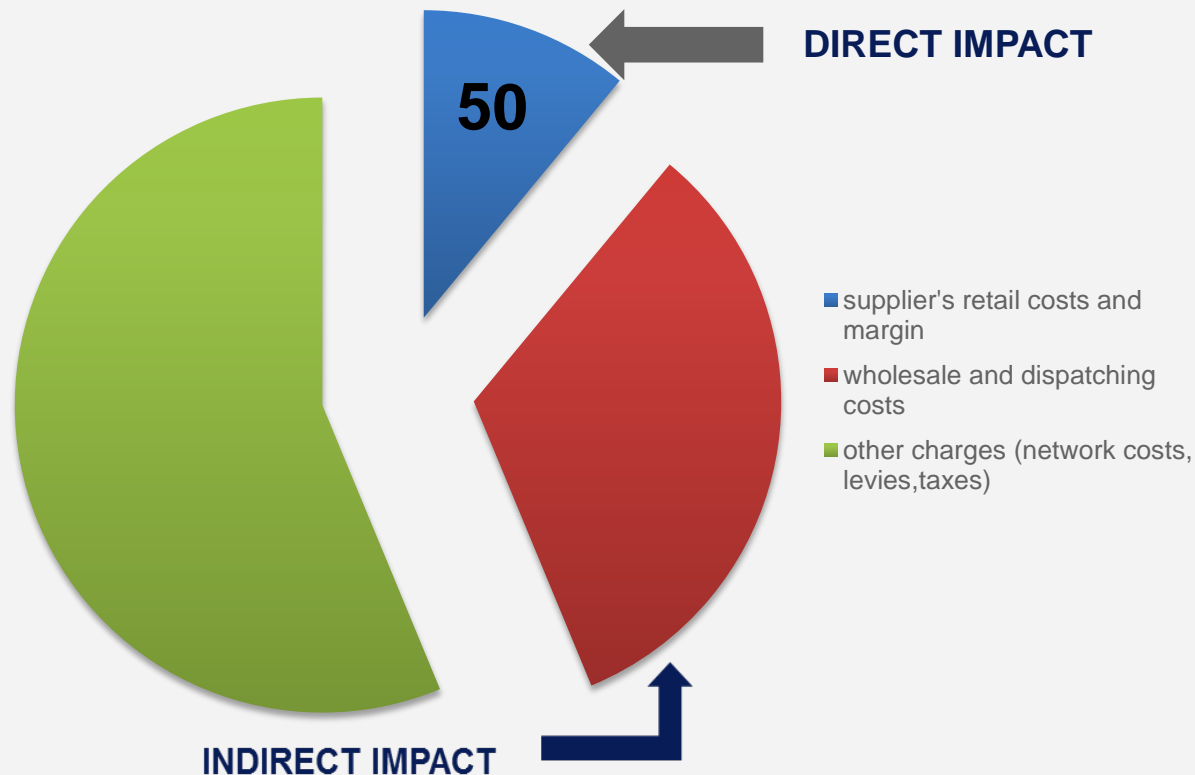
The introduction of competition into retail electricity supply gave rise to great expectations. However, to date its performance has been less than stellar.

✓ **Reply by Littlechild (*Energy Policy*, 2009)**

In my experience, initial expectations (in GB) were very low, and the subsequent outcome has far exceeded these expectations

What we talk about when we talk about retail markets competition

Electricity bill of a typical Italian family in 2016 (euro/Y)



But.....

- ✓ **Are we underestimating the potential impact on retail competition of “smart developments”?**
- ✓ **The two prevailing opposite “visions” on retail competition:**
 - Very complex system characterized by passive consumers and market failures ?
 - Dynamic sector selling together bulk energy and smart uses to informed and active consumers?
- ✓ **Which vision do we believe in?**

The ideal background of the Third Package

- ✓ **Risk hedging:**
 - increased number of price structures offered

- ✓ **Retailers' price-cost margin:**
 - the energy component of the retail price close to the forward value of electricity on wholesale markets
 - ...plus efficient operation costs
 - convergence of price-cost margins across EU?

- ✓ **Retail markets structure:**
 - reduction of incumbents' market shares
 - high number of retailers, including foreign companies

- ✓ **Proactive consumers and elastic demand:**
 - optimal switching and searching behavior
 - Demand elasticity

- ✓ **Additional advanced services:**
 - demand side management

Retail markets development: actual scenarios

✓ High price cost margins

- Not only UK.
- Germany, Austria, Ireland

✓ Low switching rates (above best practice)

- Even in countries with high switching costs

✓ Switching mistakes common among customers

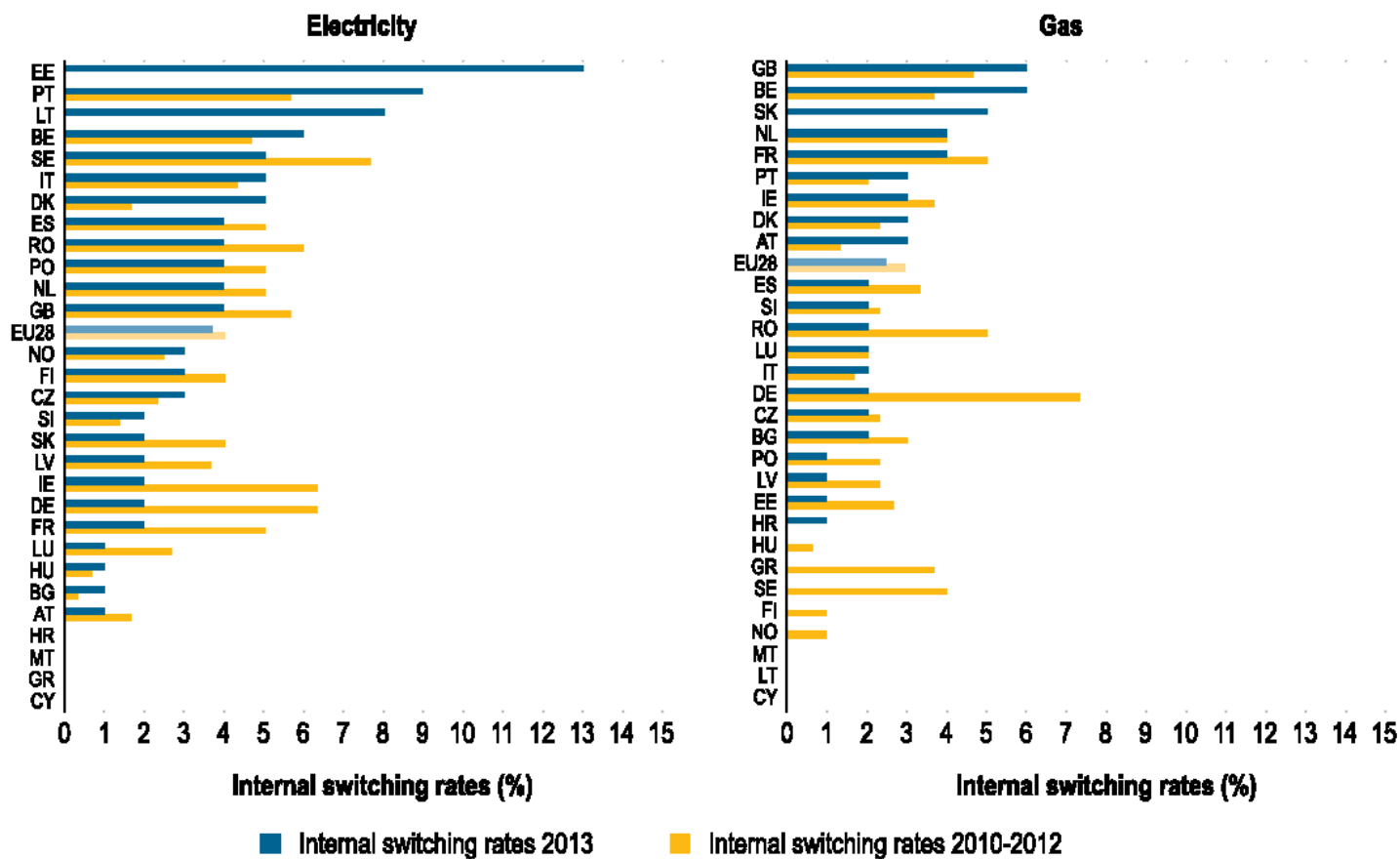
✓ Very high switching costs

✓ Incumbents still dominant

- In many countries the market share of the 3 largest suppliers is above 70%
- Incumbents have high market shares

Which policy implications?

Internal switching rates for electricity and gas household consumers in 2013 and annual average – 2010–2012 (%)

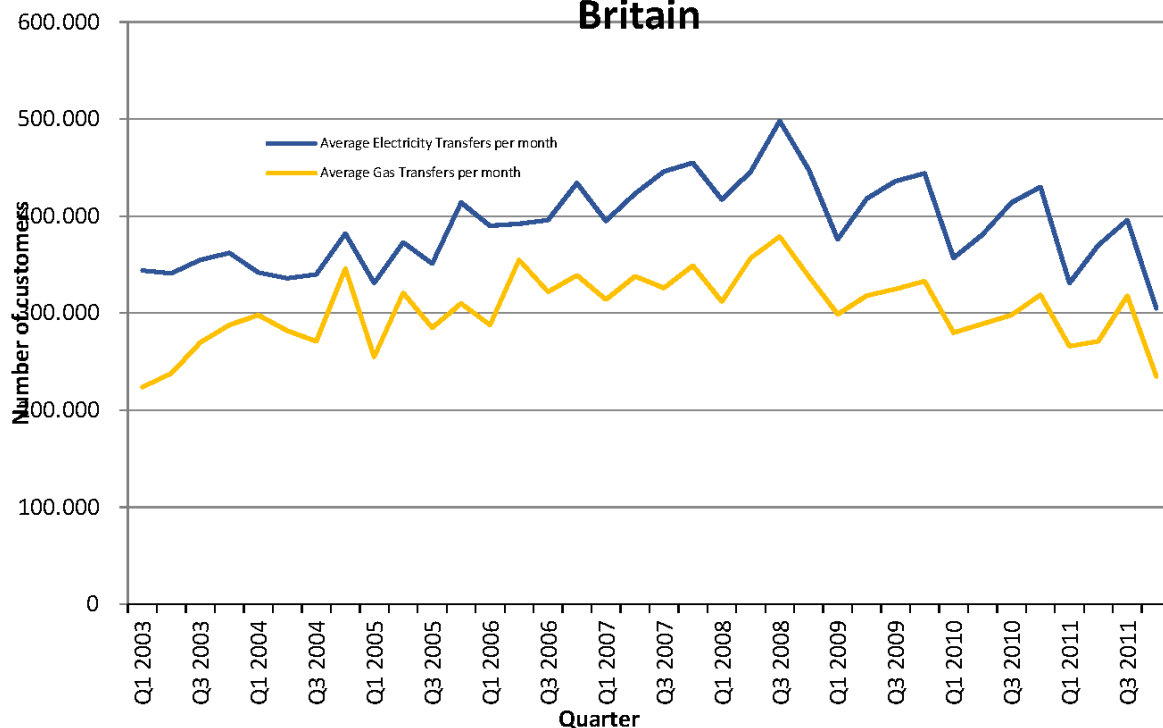


Source: DG Justice and Consumers (2014).

UK: Switching rates fell...

Domestic Electricity and Gas Transfers in Great

Britain

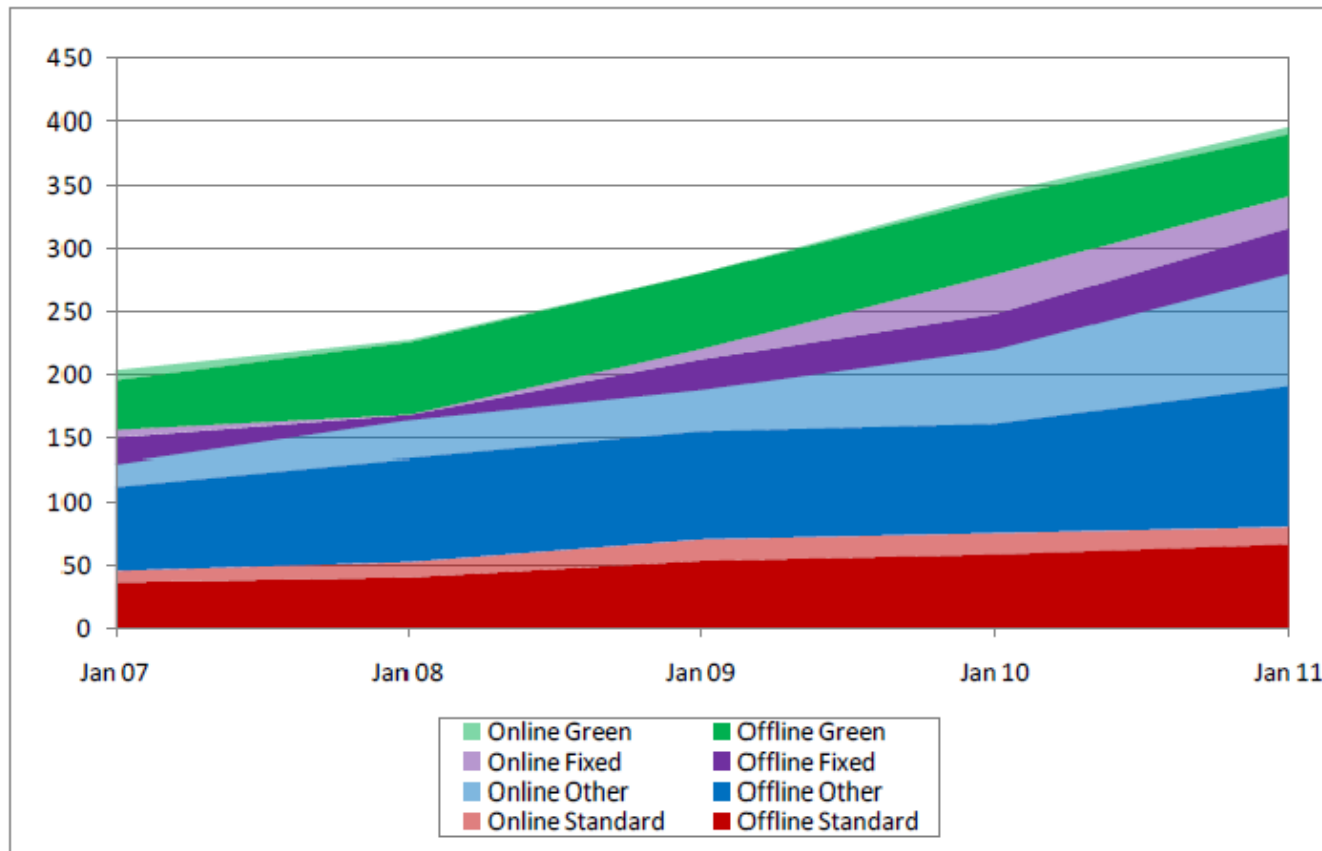


Source: DECC

Other CCP
 research shows
 expected gain is
 the main driver
 of consumer
 search and
 switching

UK: despite many more offers...

Figure 2.1 Number of tariffs available to domestic consumers on 1 January 2007 to 2011



Source: Ofgem analysis on data from TheEnergyShop.com

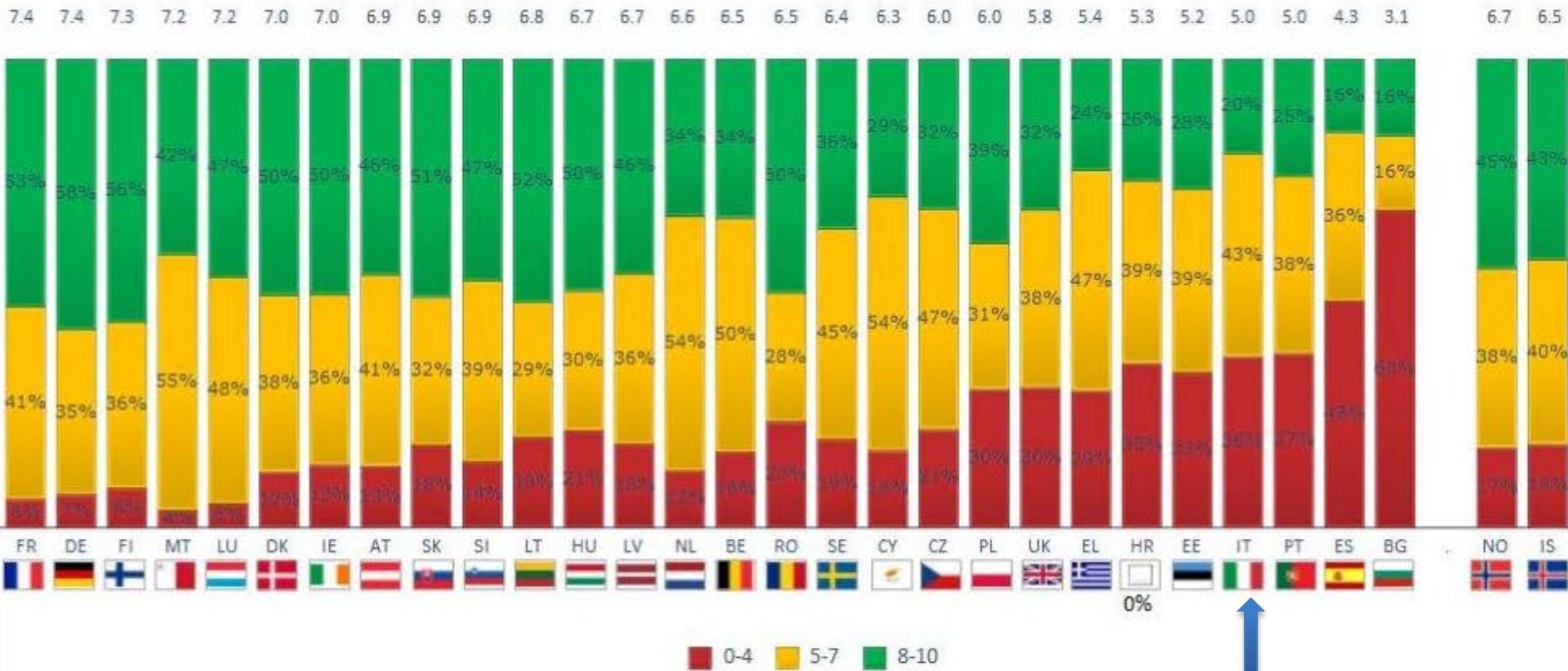
Electricity services

Component at country level

Component

Trust

On a scale from 0 to 10, to what extent do you trust suppliers to respect the rules and regulations protecting consumers?



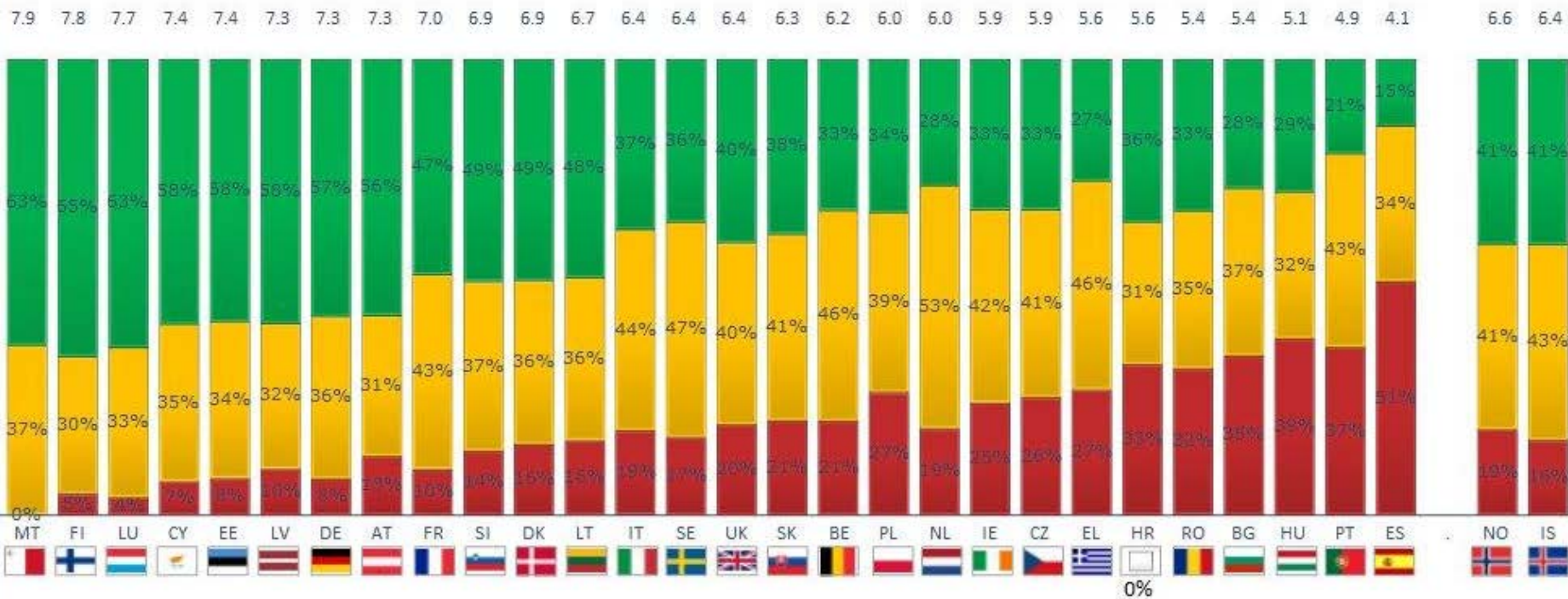
Source: DJ Justice – consumers’ scoreboard “Electricity services”

Component at country level

Component

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0-4 5-7 8-10

Source: DJ Justice – consumers 'scoreboard "Loans credit and credit cards"

Conclusions

- ✓ **The price signal alone is not enough to improve retail markets functioning**
- ✓ **Need to better understand consumers' behavior**
- ✓ **Roadmap towards the reform of retail markets regulation**
- ✓ **Tutela SIMILE...**
- ✓ **....and more**

Thank you for your attention

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