Are Mediterranean retail markets providing the right level of consumer protection? Energy bills and disconnection procedures due to non-payment in the Mediterranean region

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• Study on the impact that currently applied disconnection procedures have on consumers in MEDREG countries. The study helps to analyze the status of consumers’ protection in each country, facilitates the understanding of common practices carried out in the Mediterranean region and identifies potential regulatory gaps that should be tackled to enhance the role of regulators in their respective countries.

• As a result, the report represents a potential starting point for the preparation of recommendations at regional and national level in the field of disconnection practices.
MEDREG – CONSUMER WG

• MEDREG Consumer Working Group (CUS WG) gathered data on national methods and concepts for the disconnection of household consumers due to unpaid bills.

• The aim of the study is to provide a general overview in order to exchange experiences and to select main issues as general recommendations to work methods and approaches of consumers’ rights when standing against their energy supplier. The study is based on the responses of 17 MEDREG countries.
DISCONNECTION ISSUES

From the perspective of consumers, connections, disconnections, and maintenance are crucial aspects and, in many cases, they represent the consumer’s first interaction with the energy market. If these processes are well designed and functioning efficiently, they will help to improve consumer’s perception of the energy market.
DISCONNECTION ISSUES

• In most cases, the disconnection of energy supply can be requested by the supplier/Distribution System Operator (DSO) when the consumer does not pay his energy bill.

• With a few exceptions, MEDREG members have warning mechanisms in place in order to allow sufficient time and notification before the disconnection can take place.

• In addition to warning procedures, some regulators have measures in place to avoid the disconnection of vulnerable consumers at critical times or when they are under specific conditions.

• Some of the realities where disconnection is generally prohibited are those including hospitals, people with severe illnesses and specific population groups that are considered particularly vulnerable.
FINDINGS (1)

Are there categories of consumers who are not permitted to be disconnected or have different procedures in event of disconnection?

- Majority of responses highlighted categories of consumers who are not permitted to be disconnected or have different procedures in event of disconnection. The detailed identification of these categories is an important tool to identify good practices.

- In the region there is not a homogeneous identification of categories of consumers who are excluded from disconnection procedures. Mainly, countries authorise derogations to vulnerable consumers who have health issues (27%) and social needs (5%), and economically vulnerable consumers (9%), entities active in the health system (18%) and in the field of national security or public order (18%).
FINDINGS (2)

- Are there certain dates when disconnection of consumers is generally prohibited?
- MEDREG Members usually foresee certain dates in which disconnection is generally prohibited.

![Pie chart showing percentages for Prohibition in specific days, Consumer rights protection, and Extreme Weather]

- Prohibition in specific days: 73%
- Consumer rights protection: 13%
- Extreme Weather: 14%
FINDINGS (3)

Are suppliers required to periodically report to the public or to the regulator the amount of disconnections performed?

Results: Overwhelmingly, yes.

When not obliged to report to the regulator info provided based on a legal obligation.
FINDINGS (4)

- Are there any alternatives that can be suggested to prevent disconnections?
- Majority: Yes

Alternatives vary. Prepaid meters, smart meters, lowered supply and educational programs are the main alternatives put in place in Mediterranean countries to try to avoid disconnection procedures.
FINDINGS (5)

- What is the amount of debt resulting in the consumers’ disconnection according to current legislation?
- Responses vary widely: Ranging from no minimal or defined amount, to a certain amount of consecutive unpaid bills, to disconnections even for small amounts of money.
FINDINGS (6)

• Are there any criteria for disconnection, regarding the consumers’ role, other than debt?

• Reasons vary, but mainly:
  – (1) Non-compliance of customer obligations to the supply contract.
  – Second criterion: fraud.
  – Third criterion is related to installations.
  – Fourth criterion concerns meters issues.
  – Fifth criterion is the security of persons and properties.
  – **Sixth criterion** - general shortage of natural gas, activation of emergency plans to operate transmission and distribution networks in critical conditions and to carry on planned maintenance works on the grid.
FINDINGS (7)

• Are warnings prior to disconnection required?
• Overwhelmingly, yes.

[Pie chart showing 82% YES, 18% NO]
FINDINGS (8)

- Is there a set time between warning and disconnecting?

- The above graphic shows the set days between warnings and disconnections procedures applied in MEDREG members.
FINDINGS (9)

- Is there an obligation to contact the consumer prior to disconnecting? If so, how?

- Most of the members generally contact consumers before disconnecting them. The notification is usually released through different channels: among others, registered mails, certified e-mails, phone calls, phone messages and warnings in person are the most common.
FINDINGS (10)

• Is there an obligation for the supplier to physically visit the consumer’s residence prior to disconnection?

• Only one member reported the obligation for suppliers to physically visit consumers’ residence prior to activating the disconnection procedure. All the other members who replied do not use this practice.
FINDINGS (11)

• Is there an obligation or authorization for the supplier to report to other authorities regarding the consumers’ situation?

- It is only in three countries that suppliers are subject to the obligation to report to other authorities the consumers’ situation.

[Chart showing 82% NO and 18% YES]
FINDINGS (12)

- Is there a procedure that allows the consumer to object to the disconnection prior to it or to use any sort of arbitration?

- Consumers’ complaints concerning disconnection procedures are usually addressed to suppliers since they are usually the entity in charge of disconnecting. Objections can be also addressed to NRAs, DSOs or the Court.
Is there room for individual judgment or special cases regarding disconnection?

The majority of members (9 out of 17) do not allow any possibility for individual judgment in case of special cases regarding disconnections.
FINDINGS (14)

- Who authorizes the disconnections?

- Disconnections are usually authorized by suppliers or DSOs in MEDREG countries.

- Only in one case the authorization to disconnect is given by the NRA.
FINDINGS (15)

• **Who defines the rules for disconnection?**

![Pie chart showing distribution of who defines disconnection rules.]

- NRAs define the rules for disconnection in the majority of members. Only in few cases suppliers or DSOs have to deal with the definition of rules for disconnection. Moreover, also legislation is a tool used directly to define the rules.
FINDINGS (16)

• What is the procedure for reconnection?

The procedure for reconnection can take different steps. The difference concerns the duties to be completed by consumers before reconnection, such as payment of all invoices or payment of reconnection fees and the time in which a consumer will be reconnected.

- 35% Connection upon payment within less than one working day
- 41% Connection upon payment within one working day
- 18% Connection upon payment within two working days
- 6% Connection upon payment within three working days
CONCLUSIONS

• From a general perspective, the regulation related to consumers’ disconnections is very fragmented due to the fact that the Mediterranean system is composed of energy markets with different peculiarities.

• Disconnection procedures are not usually applied to all the categories of consumers and some of them are exempt in case of non-payment.

• Exemptions are granted to different categories of consumers on the basis of needs that can be identified only at a national level and considering national peculiarities

• Another principle highlighted by the study is the arbitration procedure by the NRAs. Mostly the majority of replies showed that consumers’ complaints are foreseen in case of disconnection.
CONCLUSIONS

• Support actions towards members that do not cover arbitration procedures are suggested in order to strengthen their competences and to increase consumers’ awareness in case of disconnection procedures.

• Specific attention should be paid to the steps adopted at country level in case of disconnection procedure.
  – Obviously there are several differences between MEDREG countries since procedures take into account national peculiarities.
  – However, there are huge differences in the set time between warning and disconnection which can change from 2 to 60 days according to the country.
  – A further investigation to analyze reasons behind these divergences should be carried out considering pro and cons of the various practices.
THANK YOU