

**Report by CRE on the work of the 2007 GTE (electricity working group) and the 2007 GTG (gas working group) concerning preparation for the opening up of household customer electricity and natural gas markets on 1 July 2007**

Pursuant to the European directives of 26 June 2003, all electricity and natural gas users will be able to freely choose their suppliers by 1 July 2007, at the latest. On that date, the consumer protection measures provided for in these directives, in particular Annex A, will have to be added to those already stipulated under consumer law .

In May 2005, the Commission de régulation de l'énergie (CRE) set up consultation bodies for the various parties concerned, to ensure this deadline is met: the "Groupe de Travail Électricité 2007" (electricity working group) (2007 GTE ) and the "Groupe de Travail Gaz 2007" (gas working group) (2007 GTG ). These groups contain representatives from the authorities, consumers' associations, installers, suppliers, distribution system operators (DSOs) and transmission system operators (TSOs).

Their mission is to propose practical methods of opening up household customer markets, based on the procedures used for opening up non-household customer markets on 1 July 2004. This has already enabled several hundreds of thousands of non-household customers to renegotiate their contracts with their usual suppliers or change suppliers. Nevertheless, these procedures must be adjusted to the specific features of the household customer market.

In the first phase of work, started after the CRE reports of 26 May 2005, the players defined the founding principles for the opening up of the household customer market. To ensure a simple "customer pathway", a consistency committee common to the two types of energy was set up, in order to achieve, wherever possible, standardization of procedures from the customer perspective.

In this report, as a result of the round table meeting with players held on 4 January 2006, CRE sets out the decisions taken at the end of the first phase of work and the guidelines for the coming months. These decisions will be applicable to the household customer markets. Unless otherwise stipulated, they do not amend the rules at present in force for the non-household customer market.

This report deals with the following six points:

- customer-supplier-DSO relations, consumer information and protection;
- "customer pathway" key processes;
- profiling systems and flow reconstituting;
- metering and information systems;
- technical points brought to the authorities' attention by the working groups;
- organisation of work in 2006.

## **1 Customer–supplier–DSO relations, consumer information and protection**

### ***1.1 Contractual organisation***

Thanks to its simplicity, a single contract between the supplier and the end consumer, covering both transportation and supply of power, is the reference solution in the household customer market. At present virtually all small non-household customers who have exercised the right to change their supply contract have also chosen this solution.

For the two types of energy, under the single contract system, customer invoicing, debt collection and unpaid debt risk are handled entirely by the supplier, which has to pay the DSO for the transportation of power used by its customers and the services subscribed to by its customers from the catalogue of services. Customers should, however, be able to contact the DSO directly, particularly in emergencies and for repairs.

During the first half of 2006, the working groups will have to define the adjustments to be made to the contract outlines at present used for non-household customers. They will set out the respective roles and responsibilities of DSOs and suppliers between them and towards customers, ensuring harmonization between the electricity and natural gas sectors.

### ***1.2 Consumer information and protection***

#### **1.2.1 Access to data on the consumption site**

CRE points out that it is customers who own the information given by measuring and control devices on the consumption of their site.

Customers may authorize a third party to access this information. This authorized party may be the supplier with which the customer already has entered into a contract, or intends to do so.

DSOs should provide suppliers with automated communication tools for providing the necessary customer consumption information, in unit or grouped form. Only suppliers certifying that they have the customer's authorization may access this information.

This information shall be passed on by DSOs within the time limits set out in the catalogues of services or procedures which will be defined by the working groups.

DSOs shall also set up automated access to their information system, enabling suppliers to obtain technical information on consumption sites. The list of technical information accessible will be decided upon in the first half of 2006, with a distinction made between the following cases:

1. the supplier is the registered supplier of the site;
2. the supplier is not the registered supplier of the site;
3. no supplier is the registered supplier of the site (the site contract is terminated).

CRE asks DSOs to publish the procedures to be followed for each of these categories, in consultation with suppliers.

For non-household, multi-site gas customers, during 2006, the 2007 GTG will look into the possibility of direct access to the DSO to obtain consumption data for all the sites they manage, whether they come under standard delivery conditions or have a direct delivery contract.

### **1.2.2 Information available on the bill**

The customer's bill must include the telephone number of the DSO to be contacted in an emergency or for repairs. It must also include all the information necessary for exercising the right to change their supply contract.

For electricity, this consists of:

- the number of the consumption site delivery point;
- the transportation tariff option;
- subscribed power;
- the type of meter.

For gas, this consists of:

- the number of the metering and estimate point;
- the transportation tariff option;
- reference annual consumption (CAR) and the profile.

Those natural gas suppliers which are members of the 2007 GTG have already undertaken to provide this information on their non-household customers' bills, as from 2006.

Consumer protection requires that electricity and natural gas suppliers should also show the following information on their bills:

- the date of contract expiry or renewal by tacit agreement;
- the period of notice for termination of the contract.

This question will be reexamined in 2006, in particular to take account of the transposition measures contained in Annexes A of the 26 June 2003 directives.

### **1.2.3 Pre-contractual information**

In the first half of 2006, the working groups will start work on pre-contractual customer information. By the end of the year, they will draw up recommendations on the comprehensibility and transparency of commercial offers, to enable customers to compare them and ensure clear understanding of how to exercise their right to change supply contract.

### ***1.3 Fraud and metering errors***

For electricity, the 2007 GTE analysed the procedures that could be envisaged in the event of fraud and metering errors. It did not manage to reach agreement over a solution. Opinions differed mainly on how to apply the expense of uncollectible outstanding accounts and the retroactive modification of consumption in the flows exchanged between the DSO and the supplier or the balancing responsible entity.

CRE considers that, in technical terms, fraud can be analysed as a special case of a metering problem requiring adjustment. In that case, for transportation, the expense of uncollectible outstanding accounts is applied to the supplier in the case of customer fraud and to the DSO in the case of a metering error due to meter malfunction without customer fraud. To simplify procedures and avoid duplication of debt collection efforts, CRE asks the supplier to deal with adjustments with the customer, in either case.

The consumptions used for flow reconstituting can either be retroactively modified once the fraud or error has been identified, or result in a purely financial settlement between players, without any impact on flow reconstitution. A comparative analysis should be carried out on these two solutions, which CRE asks the players to perform before the end of the first quarter of 2006.

### ***1.4 Suppliers' charters***

On the initiative of non-household customer representatives, in 2005, a number of suppliers drew up an electricity suppliers' charter and a natural gas suppliers' charter. The aim of these charters is to set out good codes of practice in commercial relations between suppliers and their non-household customers. Suppliers' charters apply to all stages of the commercial process, from prospecting to customer follow-up, on French electricity and natural gas markets.

These charters can be found on the CRE web site. A monitoring committee was formed between suppliers and non-household customers to ensure that the gas charter is applied and updated.

CRE would like a single committee to be formed, to monitor the gas and electricity charters.

For the household customer market, CRE asks the 2007 GTE and GTG to look into the possibility of creating a common charter for electricity and gas. This charter would not replace legislative and regulatory texts, including the consumer code.

### ***1.5 Communication and information***

The working groups have analysed the communication actions carried out in 2004 by the different market players, as well as those carried out during the opening up of certain household electricity and gas markets to competition in Europe.

Already, the 2007 GTE and GTG are stressing the importance of educating the general public, which will be one of the prerequisites for ensuring that household customers are properly informed on the opening up of markets to competition in 2007.

In the first half of 2006, the 2007 GTE and GTG will make recommendations to CRE on communication and informing the general public, including an estimate of financing needs and an action schedule.

“Customer pathway” key processes

## ***2.1 Initial connection to the network and connection to the energy supply of a new site***

To apply for initial connection of their facilities to the public distribution network and connection to the energy supply, customers can go through either the network operator or a supplier offering this service.

In the former case, the DSO provides customer support throughout the connection process: drawing up the quote and billing, following up the installation of the connection, safety information, if necessary, and providing a list of suppliers.

In the latter case, the authorised supplier provides customer support throughout the connection process and becomes the contact point with the DSO.

In both cases, to request connection of the facility to the energy supply, the customer will have to have chosen a supplier and contact this supplier.

## ***2.2 Termination of contract and cut-off of the supply and reconnection of an existing site***

Immediate availability of power on a site is a facility to which suppliers and household consumers attach great importance. CRE considers that in the absence of remote controlled splitting devices, the principle of temporarily maintaining the supply on a site where the supply contract has been terminated should be applied, so long as it is safe.

### **2.2.1 Termination and cut-off**

Contract termination procedures are not the same for the two types of energy, due to different safety constraints.

For electricity, since electronic meters with remote load curve reading are at present little used, termination is based on a calculated index, with the possibility of taking account, in the record used for the calculation, of a customer meter reading passed on by the supplier on behalf of the customer, subject to a validity check by the DSO. CRE considers that given the present state of metering technology, customer meter reading is the preferred solution to limit costs and ensure that the termination index best reflects customers' actual consumption. The method of index calculation and the acceptability criteria for customer self meter reading will be identical to those used for the supplier switching procedure. A special reading can be taken at the request of the DSO, a supplier or a customer. It is billed by the DSO to the supplier or the customer only if they make the request.

For gas, meter readings are taken by the customer on termination of the contract when the new occupant is known. If this is not the case, a DSO employee systematically comes out. The employee takes a reading and for household sites, assesses the safety of the facility and the technical possibility of maintaining the supply to the site. If it is impossible to read the meter (customer absent, cannot be contacted, etc.) or in the absence of customer meter readings, the termination index is calculated from consumption records and/or the last known index on the date of completion of the operation.

For both types of energy, the choice of whether to maintain or cut off power after termination is the DSO's responsibility. The supply of a terminated delivery point and therefore deemed to be without a consumer, can be cut off at any time by the DSO. In any case, the supply will not be continued to the site beyond a period of 8 weeks, to limit the risk of consumption without a contract. Consequently, suppliers shall warn their customers that after the date of termination, the supply to the site may be cut off at any time by the DSO.

During the first half of 2006, the working groups will have to define the conditions applicable in cases of termination of a dual fuel contract.

In addition, for electricity, in order to give a more realistic picture of the actions taken in the event of unpaid bills, DSOs should distinguish four categories of service in their service catalogues:

interruption of supply, power limitation, reconnection of supply and repairs. For each of these categories, DSOs should propose options (for example, choice between firm cut off or cut off if the customer is present, reduction in power to 3000W if the customer is absent). A list of these was drawn up by the 2007 GTE. In the first half of 2006, the DSO should propose a detailed description of these services and their pricing.

Finally, gas and electricity suppliers should make sure they are in a position to deal with cases of cutting off supply for unpaid bills, particularly for low income households, in compliance with legislative and regulatory texts.

### **2.2.2 Reconnection of supply at an existing site**

Reconnection of supply implies that the customer has previously chosen a supplier, who will make the request for reconnection of supply to the DSO.

The practical conditions for reconnection of supply distinguish between three cases:

1. in cases of reconnection of supply on a site where the previous contract has been terminated and where the supply has been cut off, a DSO employee must come out to reconnect the supply, since the system in place does not allow remote reconnection of supply. The reconnection index will then be the index used;
2. in cases where the supply is reconnected on a site where the previous contract has not been terminated, the termination and reconnection indexes will be identical and will be established on the basis of a meter reading by the new customer. If possible, the meter reading by the new customer will be done jointly with the previous customer. The method of meter reading jointly by both customers will be examined in the first half of 2006;
3. in cases where the supply is reconnected on a site where the previous contract has been terminated and the supply has not been cut off, the connection index will be the termination index (this point will be studied by the 2007 GTG ).

In cases where the supply is maintained, it is also possible to reconnect the supply on the index reading taken by the DSO, if the supplier so requests. It requires a special reading, billed by the DSO to the supplier in addition to the price of reconnection of supply.

For electricity, for suppliers to reduce the total cost of reconnection of supply for the customer, they must be able to judge whether a DSO reading is necessary, on the basis of the customer's meter reading. To this end, CRE asks all DSOs to allow suppliers automated access to the following information:

- the status of the site: supply maintained or suspended;
- the date, level and nature of the last index recorded on the site (customer reading, estimated reading or DSO reading).

The energy corresponding to the difference between the supply reconnection index and the termination index is allocated to the DSO balancing responsible entity. DSOs will have to implement specific monitoring of this consumption, with the results passed on to CRE on an annual basis.

For gas, these provisions will be defined by the 2007 GTG during the first half of 2006.

CRE points out that suppliers who were previously service providers for a particular site should not benefit from more favorable supply reconnection conditions than other suppliers. In addition, the price of reconnection of supply should be identical, regardless of whether the supply has been maintained or not (excluding work on facilities).

To this end, during the first half of 2006, DSOs should propose a price for the reconnection of supply on existing facilities, resulting from the pooling of costs related to the different cases referred to above. The working groups will have to define the conditions applicable for simultaneous dual fuel reconnection and, in particular, billing conditions for simultaneous services.

### **2.3 Switching suppliers**

To switch supplier, customers should contact the new supplier and set the effective date of the changeover. The customer then signs a change of supplier form, which sets out the customer's obligation to terminate the previous contract. If the changeover does not need any specific action, the minimum period required is 21 calendar days, to run from the application to change, to which should be added the 7-day legal cooling off period, when applicable (canvassing and distance selling).

The method of meter reading is decided upon by the customer with the supplier:

- if the DSO takes the reading, the change of supplier index will be that taken by the DSO. The supplier may bill the cost of the service to the customer;
- if the customer takes the reading, the change of supplier index will be calculated by the DSO on the basis of the customer reading provided, at no cost to the customer.

Failing which, the change of supplier index will be calculated by the DSO on the basis of available consumption records, at no cost to the customer.

CRE considers that customer meter reading is the preferred solution, to limit costs and ensure that the change of supplier index best reflects customers' actual consumption. In order to ensure transparency for players, CRE asks DSOs to publish their methods for calculating indexes and checking customer meter reading consistency, after consultation within the working groups.

When the cooling off period expires, which it is the supplier's responsibility to comply with, the supplier puts in the application to the DSO. At this time, the supplier certifies that it is in possession of the change of supplier form signed by the customer. Given the volumes involved, these forms are not passed on to the DSO.

The supplier may ask the DSO for an effective date of change of supplier ranging from 21 days to 6 weeks, to run from its application. At the suppliers' request, DSOs will look into the possibility of extending this period beyond 6 weeks.

The only reasons for which an application to switch suppliers may not be approved by the DSO are:

- fraud has been detected;
- an application to switch suppliers is being processed;
- an error in the data passed on.

The DSO should notify the former and new supplier of an application to switch suppliers to a site, within three days of its reception. The previous supplier may not object to the changeover, and, in particular, non-payment by the customer is not a legitimate reason for opposing the application.

CRE asks DSOs to make it technically possible in their information systems to return to the previous supplier under the previous commercial terms and conditions, including those of regulated tariffs, to deal with possible errors.

#### **2.4 Monitoring of key processes**

Analysis of the opening up of non-household markets has shown that it was important to have indicators for the analysis of the proper functioning of the processes defined, in particular in terms of compliance with commitments undertaken.

In order to prepare for the 1 July 2007 deadline, DSOs must introduce quality of service monitoring indicators, in terms of customers and suppliers, on the key processes for opening up the market (switching suppliers, termination, reconnection of supply and new connections). These indicators, which will be defined and monitored by CRE, will initially apply to non-household customers, then, from 1 July 2007, household customers.

### **3 Profiling systems and flow reconstituting**

#### **3.1 For natural gas**

CRE approves the proposals of the 2007 GTG for improving the profiling system:

- use of data from the panel of consumers equipped with flow recorders by the Gaz de France research division to calculate profile coefficients and address the recommendations of the audit carried out in July 2005 at CRE's request;
- reform of profile range segmentation based on the principle of reliable, uncontested attribution criteria (level or temporal distribution of site consumption); the studies under way on the data provided by the above-mentioned panel will set the number of profiles and the attribution criteria, as well as the rules and derivative procedures, by the end of March 2006;
- calculation of the adjustment coefficients between quantities measured and quantities estimated by balancing zone and by DSO and no longer by transmission-distribution interface point (PITD);
- change to a system of standardized transmission capacity subscriptions, for PITD delivery capacities, transportation capacities on regional networks to PITDs and exit capacities from the main network.

Gaz de France Réseau Distribution has undertaken to implement these provisions on 1 July 2006, with players being notified of the new profiles, as well as the rules and methods of application, by 1 April 2006, at the latest. It is carrying out the study necessary for the common choice of reference meteorological stations, in conjunction with gas transmission system operators, while CRE departments are auditing transmission system operators' methods of peak cold period consumption calculation.

Together, these points make up the last significant change in the profiling system, before the 1 July 2007 deadline.



Other studies, aimed at additional improvements, are scheduled by Gaz de France Réseau Distribution for 2006: change in profile coefficient calculation methods (additional or multiplier climatic correction, adjustment of calculations to the data provided by the reference meteorological stations, etc.). Their results will be examined during 2006, to prepare for the coming change in the system, with the possible deadline of 1 April 2008.

1 April every year is, moreover, chosen as the deadline for the implementation of the updated profiling data for the following 12 months, in line with players' storage reservation needs. Based on this annual deadline, the principle is applied of data communication (such as profile coefficient tables) to players by the DSO before the end of year N, to be implemented on 1 April of year N+1.

Finally, the new rules of quantity allocation to PITDs have been defined for the transitional period of 1 July 2006 to 30 June 2007, then from 1 July 2007. The detailed procedures, which include the methods of billing shippers for transportation, must be finalized by the 2007 GTG and made public during the first quarter of 2006.

### **3.2 For electricity**

Article 15 of the 10 February 2000 Act, as amended by Article 80 of the 13 July 2005 Act, extends CRE's competence to "*approval of calculation methods for imbalances and financial compensations under the balancing mechanism.*"

There have been divergences between the members of the CURTE (electricity transmission grid users' committee) governance committee on temporal reconciliation rules. CRE therefore asks RTE to draw up new temporal reconciliation rules.

These new rules will be based on the following principles:

- temporal reconciliation at annual intervals, carried out in a single operation. For the period from July of year A to June of year A+1, it is carried out in October of year A+2;
- valuation of corrections by balancing responsible entities (REs) and the residue at the Powernext market price;
- distribution of the residue between all the REs operating on the public distribution grid in proportion to the profiled power withdrawn from the grid.

These new rules will be based on the following two stages:

- preliminary stage of standardization of the loss load curve of each DSO:
  - for each DSO, an energy balance is calculated over the year under review, comparing energy injected into the grid, on the one hand, and energy withdrawn on the grid by profiled sites and by load curve sites, on the other;
  - the difference found between these two magnitudes can be assimilated to DSO losses, over the period under review;
  - the loss load curve, reported by each DSO, is, therefore, standardised, so that its energy over the period under review is equal to this difference;
- phase of national alignment and standardisation of each RE's profiled load curve:
  - there will be no change in this stage in terms of the present rules.

CRE emphasises that, from the DSO point of view, the disclosure to RTE of the different load curves used for temporal reconciliation remains the same. These guidelines will therefore not have any impact on the information system development schedule.

These new rules, after approval by CRE, will be implemented by RTE as from the summer of 2006 and will apply retroactively from July 2004.

When feedback on these rules has been analyzed, they could be subject to change, after consultations within CURTE.

## **4 Metering and information systems**

### **4.1 Electricity metering systems**

Metering systems are fundamental for the commercial differentiation of suppliers' offers, since they make it possible to provide varied tariff ranges and energy services.

CRE asks the 2007 GTE to draw up, in the first quarter of 2006, draft specifications for a technical-economic study, designed to quantify the benefits of changing over the current meter stock to electronic meters with remote load curve reading and remote controlled cut-off and power change systems. This study, coordinated and funded by CRE, will be commissioned from an external expert body. Its results will be passed on to the 2007 GTE.

Alternative suppliers do not currently have the tariff signals enabling them to make interruption offers. CRE asks the 2007 GTE to examine the technical conditions for the implementation of interruption offers by alternative suppliers, in 2006.

### **4.2 Gas information systems**

The detailed specifications of interfaces between DSO-TSO, DSO-suppliers and DSO-customers have been analysed in the light of feedback from the opening up of markets on 1 July 2004 and the new needs identified for 2007.

The specifications of the interface between DSO and TSO should, in particular, be reviewed in the first quarter of 2006, to take account of the allocation management changes decided, especially standardised subscriptions and adjustment coefficients by balancing zone and DSO.

Work on uniform data exchange format specifications should continue in 2006, to achieve a single, shared format.

CRE asks local distribution company network operators to guarantee to all users that for the same operation, they will find an entry interface containing identical required data for all network operators. It should also be possible to carry out these operations with minimal exchange formats common to all DSOs.

## **5 Technical points brought to the attention of the authorities by the working groups**

A precise definition of the relations and responsibilities of public system operators and suppliers with consumers by the gas and electricity working groups requires a properly established applicable legislative and regulatory framework. The transposition of Annex A of the 26 June 2003 directives into French law will be an important element, in this respect.

The participants in the work of the 2007 GTE and GTG have also identified practical difficulties in the application of legislative and regulatory texts, which need clarification by the authorities. These difficulties are related to customers eligible for switching suppliers and therefore concern non-household customers immediately.

Thus, according to Article 66 of the 13 July 2005 Act, for the two types of energy, when consumers occupying a site have exercised their right to change supply contract, the law prevents the following occupants from benefiting from regulated tariffs. In practice, this provision poses the technical problem of tracing the exercising of this right on a given site.

In addition, for electricity:

- Annex A of the 26 June 2003 directive establishes the principle that switching suppliers is free of charge. However, according to Article 49 of the 10 February 2000 Act, as amended by Article 83 of the 13 July 2005 Act, excluding the case of consumers exercising their right to change their supply contract, consumers are required to pay the costs generated by other changes of supplier. This provision cannot, therefore, be applied;
- Article 15 of the 10 February 2000 Act, as amended by Article 81 of the 13 July 2005 Act, sets out a procedure in the event of failure of a balancing responsible entity. The text poses three problems:
  - the supplier and the balancing responsible entity are not necessarily the same legal entity. The text does not deal with the case of the failure of a supplier;
  - customers whose balancing responsible entity fails may find that they are billed for 5 days' consumption at an imbalance price, which can be relatively high;
  - the procedure defined gives network operators the responsibility of billing customers during this period of 5 days. They will, therefore, have to develop customer energy billing systems which will only be used in rare cases and over very short periods, which seems very expensive for the community.

## **6 Organisation of work in 2006**

Simplicity and transparency for the consumer are CRE's main concerns. The issue of consistency in the choices made for gas and for electricity is therefore an important one, if consumers who want a dual fuel supply are to be able to take full advantage of the opening up of the market, while still taking account of the features specific to each of the two types of energy.

To this end, the consistency committee established by CRE in the summer of 2005 started work on the key points of the "customer pathway" and information on the opening up of the market. The gas and electricity consumers' committee, made up of representatives from the different categories of player, took over from the consistency committee on 1 January 2006. It continues the latter's work and has extended it to questions on customer-supplier relations.

The methods of opening up the household customer markets have now been defined to a significant extent, as well as the main functional specifications of DSO information systems.

In the first half of 2006:

- the 2007 GTE and GTG will complete the definition of these methods of opening up the markets and finalize the missing specifications. CRE points out that it is the responsibility of the DSOs to finish development of their information systems so that the 1 July 2007 deadline can be met;
- in consultation with the players, DSOs will draft proposals to CRE on how to finance the services necessary for the opening up of the household customer market.
- the 2007 GTE and 2007 GTG will examine the possibility of extending the procedures set out for the household customer market to the non-household market;

At the end of the first half of 2006, CRE will draw up a further report on the work. Depending on the progress then found, it will give guidelines for the rest of the work, so that the deadline of 1 July 2007 can be met.

Signed in Paris, 10 January 2006.

For the Commission de régulation de l'énergie,

The Chairman

Jean SYROTA