



## **Networks**

# **Monitoring of good practices programs and independence for electricity and natural gas system operators**

**Summary report 2011**

July 2012

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## Summary

Electricity and natural gas transmission system operators (TSO) and distribution system operators (DSO) are regulated operators that provide public service functions for the benefit of the network users and the consumers they serve. Accordingly, European and French law requires that they be under independent and non-discriminatory obligations. In particular, they must develop a good practices program which includes a range of measures to prevent the risk of discriminatory practices in network access.

Pursuant to Article L.134-15 of the Energy Code, the Energy Regulatory Commission (CRE) is publishing this year its 7th annual report on the monitoring of good practices programs and independence for electricity and natural gas system operators for the year 2011.

Regarding transmission, 2011 was marked by the TSOs certification process: their independence from suppliers or producers who belong to the same integrated groups has been strengthened, which enabled the CRE to adopt deliberations granting certification to RTE, GRTgaz and TIGF on 26 January, 2012. CRE now oversees compliance with the conditions on which these decisions were based - including the requirements that it has stipulated and the commitments of the TSO - and which guarantee the independence of the TSOs, and ensure compliance with the principles of the good practices programs.

Regarding distribution, the implementation of good practices programs has generally increased

while the consolidation of the independence of the DSOs should continue or even accelerate. The fact that DSOs are not well known is being detrimental to the opening of markets to competition. Too often, the end user is unaware of the distributor and confuses its public service missions with those of the supplier, the latter being a player in the competitive market. The social identity, brand and logo of the DSOs and the suppliers are in some cases much too close to one another, thus making end users confused. Accordingly, the CRE requires the DSOs in question to submit an action plan to eliminate the sources of this confusion. The CRE considers that it would be appropriate to strengthen the communication of the DSOs on their repair and metering functions. Enhancing these functions might involve a change in the presentation of electricity or natural gas bills and more information by the DSOs on the services they provide for the benefit of consumers.

The replies given to the «mystery shopper» in the telephone survey that the CRE commissioned in 2011 highlight the progress made by the DSOs. Their replies to users are now more compliant with the principle of neutrality expected under the compliance program. However, in response to questions from the “mystery shopper”, some agents of local DSOs criticised or warned against alternative suppliers, thereby discouraging the end user from freely exercising his/her right to choose their supplier. Furthermore, compared to the 2009 survey, the accuracy and clarity of the responses to the “mystery shopper” remain

at a level that is judged inadequate. The CRE has requested that measures be adopted by all DSOs to improve the clarity and accuracy of their replies, while strengthening compliance with the principle of non-discrimination.

The directives of the “third energy package”, transposed into French law in 2011, also led to the creation of the role of Compliance Officer within each TSO and DSO. Each Compliance Officer is responsible for overseeing his/her company’s compliance with the undertakings set out in the good practice program, and for ensuring that TSO practices comply with the independence rules. S/he is responsible for actively sharing information with all network users as well as suppliers and all stakeholders. S/he is also responsible for producing an annual report, for submission to the CRE, including the results of these exchanges and audits that s/he has chosen to carry out in the company, in order to present recommendations and suggest actions. In response to this report and to that of the CRE, the CRE requires network operators to adopt an action plan. This plan must enable continuation of improvements already undertaken for compliance programs and independence. This continuous improvement loop, driven by a joint effort throughout the year between the CRE, the compliance officers and the network operators,

will improve the quality of the public service provided by the network operators to users.

## **Structure of the report**

This report is based on analysis of the «reports on the implementation of good practices programs» submitted to the CRE by the operators in late 2011 and audits carried out by the CRE services in these companies in 2011. These elements were supplemented and clarified by many exchanges with the operators, in particular during the committee hearings that took place in spring 2012 with each network operator.

This report is structured around four cross-cutting themes, supplemented by individual analyses of each operator’s situation. The cross-cutting issues address communication and user’s awareness of the network operators, the new compliance officer function, TSO certification and, finally, the results of the «mystery shopper» telephone survey carried out by the CRE. The individual situations analysed were those of the eight DSOs serving over 100,000 customers (ERDF, ES, URM, SRD and Gérédis-Deux-Sèvres for electricity, GrDF, Régaz-Bordeaux and Réseau GDS for natural gas) and the three TSOs (RTE for electricity and GRTgaz and TIGF for natural gas).



COMMISSION  
DE RÉGULATION  
DE L'ÉNERGIE

15, rue Pasquier - 75379 Paris cedex 08 - France  
Tel.: +33 (0)1 44 50 41 00 - Fax: +33 (0)1 44 50 41 11  
[www.cre.fr](http://www.cre.fr)