

**Presentation by Ken Quesnelle at World Forum on Energy Regulation VI
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Good Afternoon

It is my pleasure to deliver a report of Virtual Working Group 3 of the International Confederation of Energy Regulators.

As Lord Mogg outlined in his opening remarks this morning, the International Confederation of Energy Regulators or (ICER) for those of you who are familiar with the organization, is dedicated to raising awareness of the role of energy regulators. It profiles the issues that matter most to energy users, and shares ideas among regulators to help members deliver the highest possible level of public service.

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ICER Virtual Working Group 3 on Consumers' Issues was asked to promote discussion of consumer engagement and protection.

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The work group surveyed regulators within the ICER members associations for their observations and experience in consumer engagement. Thirty-three regulators responded to a survey. Six regulators took the opportunity to submit case studies that highlight successes and explore future challenges in consumer protection and engagement.

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The contributors of case studies were,

E-Control Austria,

The Australian Energy Regulator

The Italian Authority of Electricity and Gas

Netherlands' Authority for Consumers and Markets

The Office of Consumer Advocate, Wyoming Public Service Commission, provided an overview of regulatory activity across the United States of America

and the Ontario Energy Board, a provincial regulator in Canada

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If knowledge is power, then the general consumer is more empowered today than at any time in the history of the modern market economy. They can compare the price of the same product for sale in two different countries, using the internet. They can allow sellers of services, such as hotels, to bid for their business. Consumers have greater influence, using social media and personal networks, to gain the attention of companies they do business with and wield influence over their behavior.

In the energy sector, consumers clearly do not feel as informed and engaged as in other commercial transactions. While markets can be opened to competition, it cannot be assumed that consumers will automatically be open to the idea of switching. Many consumers do not feel they have the knowledge to make informed choices. The typical energy bill has become a complicated document. They are not sure of their own ability to calculate the benefit of switching to a new provider.

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The reality for regulators is that they have a low profile. Their engagement with consumers begins at the most fundamental of starting points: Raising awareness that they exist, and in doing so, making more consumers aware that they have rights, choice and the opportunity to influence decisions affecting their energy supply.

Though regulators have long been in the business of protecting the interests of consumers, they haven't had much of a direct relationship with energy customers. As several of the case studies illustrate, this is changing. Many regulators are getting out to the places where people interact.

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It has been stated that, "Anything that can be said can be said clearly."

The case studies cover regulators in many different countries, but all agree that the regulator and the consumer in a given market need to be speaking the same plainspoken language. This means clear, concise wording that avoids the use of jargon, highly technical terms, excessive use of numbers and abstract concepts.

Plain language not only helps consumers understand more about their own energy concerns, "raising energy literacy" can help the system work better as a whole. As the U.S.A paper states: "The regulatory process works best when customers are informed and have a basic understanding of utility services, operations and prices as well as a basic understanding of the role of the regulator."

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The energy consumer fuelling up their vehicle can look across the street, at a competing filling station, and easily comprehend the benefit of switching supplier – a clear price is right there on the sign.

To assist consumers with understanding the choices before them, many regulators have created price comparison tools. In some cases, such as in Austria, the regulator is legally required to facilitate easy comparisons between energy offers. Their tariff calculator uses postal code and annual consumption and lists all available energy offers from lowest to highest price. If consumers don't know their annual consumption, they can provide information on household size.

In Australia, the Energy Made Easy website performs a similar service. Retailers are required to enter all generally available offers into the system within two days of the offer becoming available to customers.

In Ontario, energy consumers can enter their usage and select their utility to see an estimate of their bill, together with useful explanations of charges. Just below on the same page, they can enter their usage data to see what their bill would look like if they signed a contract with an energy retailer.

The regulator in the Netherlands not only made price comparison tools available, on third party websites, but drove traffic to the comparison tools by developing witty and engaging online videos that poke gently fun at the misgivings of consumers to switch, which were called "You Snooze, You Lose."

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Consumers have knowledge, experience and input that's extremely valuable. Regulators recognize that consumers are a resource – millions of eyes and ears throughout the market – who can share their experience, frustrations and concerns to help enhance system performance.

As a result, regulators in the case studies are making concerted efforts to not only push information out to the consumer, but to bring the consumer in -- to be a more active participant in the regulatory process.

In the U.S.A, regulators put the burden of proof on the utility seeking a rate change. They must show the request is reasonable. In such a process, with the regulator reviewing requests, the consumer should be protected. However, as the case study points out, if no one speaks out on the consumer interest, or the potential harm of the rate change, the utility's evidence goes undisputed. As they argue, the moment at which consumers often become aware of a price increase is when they sit at the kitchen table to open their latest energy bill. However, at that point, their opportunity to submit their opinion has passed.

The Italian regulator provides an example of improving engagement by making the topic discussed more accessible to a general audience. They publish non-technical summaries in an "Atlas" for Energy Consumers' Rights. They also apply the criteria of transparency when adopting rules and decisions. They accept written observations and, when necessary, hold group and individual hearings with interested parties, especially consumer associations.

Australia's regulator established a consumer challenge panel to provide advice on issues important to consumers in the regulatory process, and Ontario is establishing similar approaches within their framework.

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Regulators invest in communication and public relations programs to make consumers aware of their rights in the marketplace. However, in the long run, credibility of regulators, in the eyes of consumers, depends heavily on whether a single maligned and unhappy customer can get a powerful, multi-million dollar energy company to respect their concern, admit an error and correct a mistake.

In Italy, standards for quality of service are guaranteed. To most consumers, "guarantee" has a clear meaning: "If you fail in my service, I will be compensated." That's exactly what energy customers will see when their supplier is found to have failed in prescribed areas of service and quality. When specific standards are not met by the fault of the supplier, users are entitled to receive automatic compensation payments through their bills.

All of these case studies support the idea that consumer protection can form a virtuous loop that supports further consumer engagement. Funds collected via penalties are used on further consumer engagement campaigns. In Ontario, administrative penalties levied for non-compliance with legal and regulatory obligations are used to fund consumer education efforts.

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Each of the jurisdictions covered in the case studies, has some form of assistance for low income people, as well as programs to help avoid disconnection for non-payment. It is important for regulators to have a clear understanding of energy poverty and some have responsibilities for addressing these issues within parameters set by government. It is important that regulators have a clearly defined mandate on this issue to avoid gaps between and overlaps with other programs. It is too important to be left unattended.

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Most of the broader goals and visions articulated by electricity and gas regulators depend on the consumer. For increased competition, we need, at least, some customers to be exercising choice. To make better regulatory decisions, we need wider input, especially from the household energy user. To promote conservation, we need everyone doing their part. To deliver on smart grids, we need higher energy literacy.

In closing, let me emphasize four observations:

1. Energy literacy is key to the success of customer engagement
2. Obtaining and maintaining energy literacy is not a project, it is a process. It is on-going.
3. Continuous improvement in this endeavour can only be achieved with continuous assessment of the status quo, with clearly defined and continuously refreshed objectives. We don't live in a static world.
4. The more we know, the more we understand. Please keep sharing what you are doing and why you are doing it. That's what ICER is all about.

The report, titled "Energy Connections: Engaging the consumer in building stronger systems" is now available on the ICER web site along with all six underpinning case studies.

There is a second slide deck that, given the value of your time here at the conference I had not planned to present in detail now but will also be made available on the World Forum and ICER websites. It provides a detailed account of the responses to the NRA survey that I referenced at the beginning of my presentation. It is being made available for your consideration. I trust you will find it useful.

Thank you for your attention. I look forward to your questions.