

***Engaging Customers in New and Innovative Ways:
Intricacies and Complexities of Sustainable Energy
Supply in a Customer Centric World***

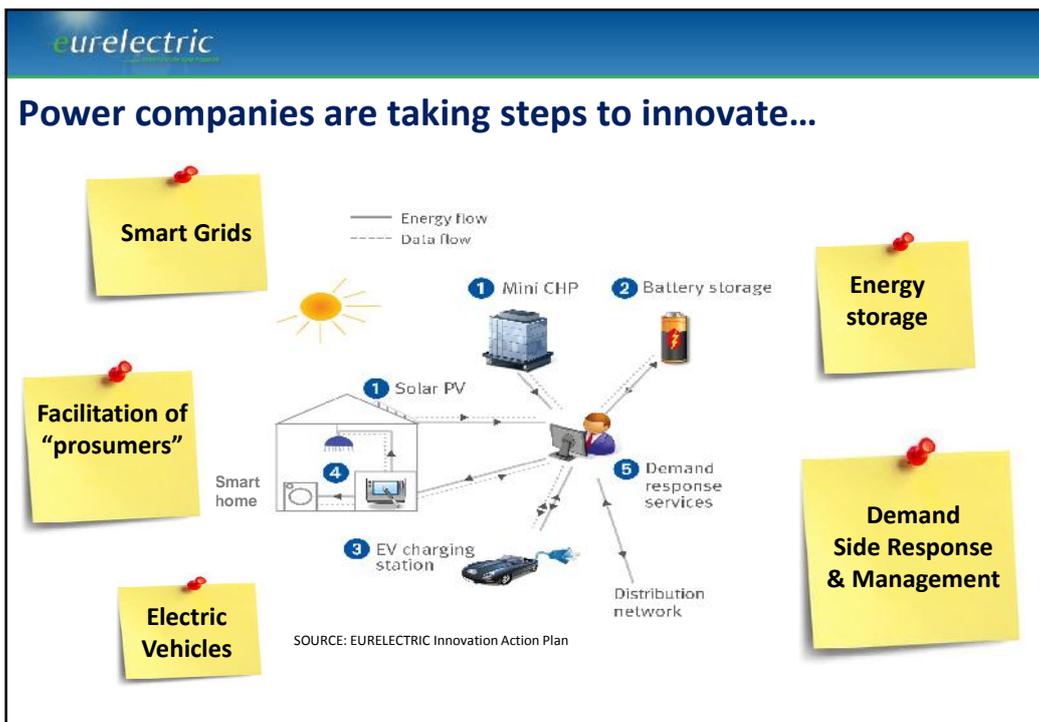
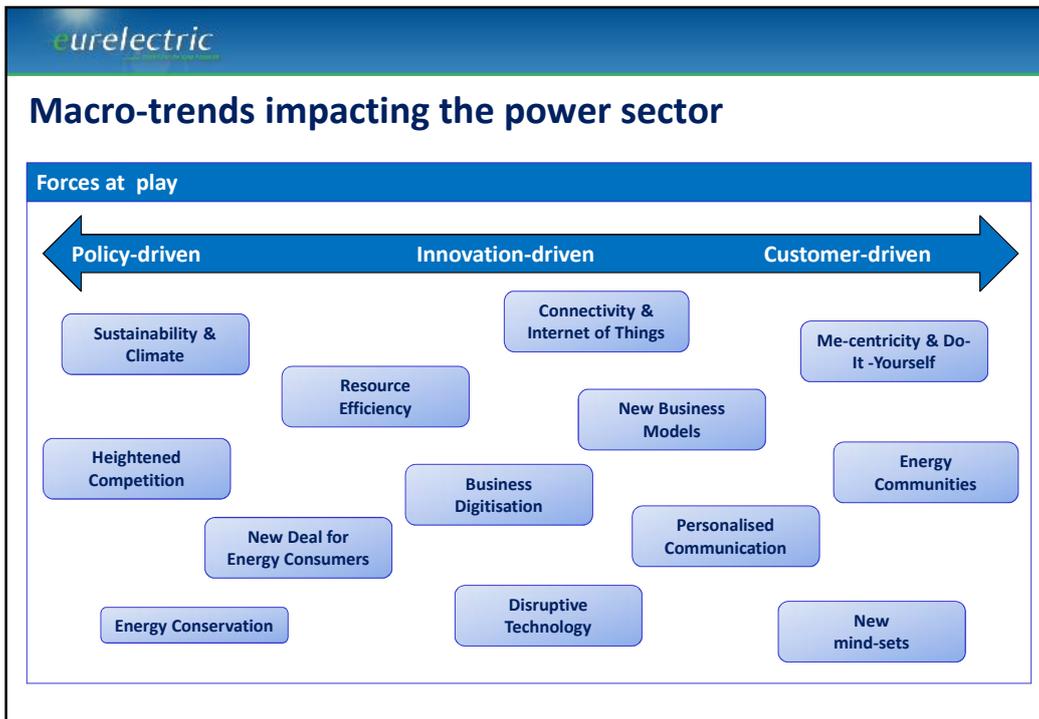
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The Power sector in Europe is undergoing one of the most profound changes in its history...



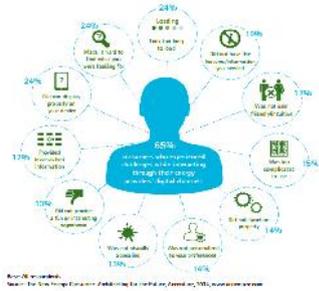
**CHANGE
AHEAD**



eurelectric
European Association of Energy Retailers

But there remain challenges...

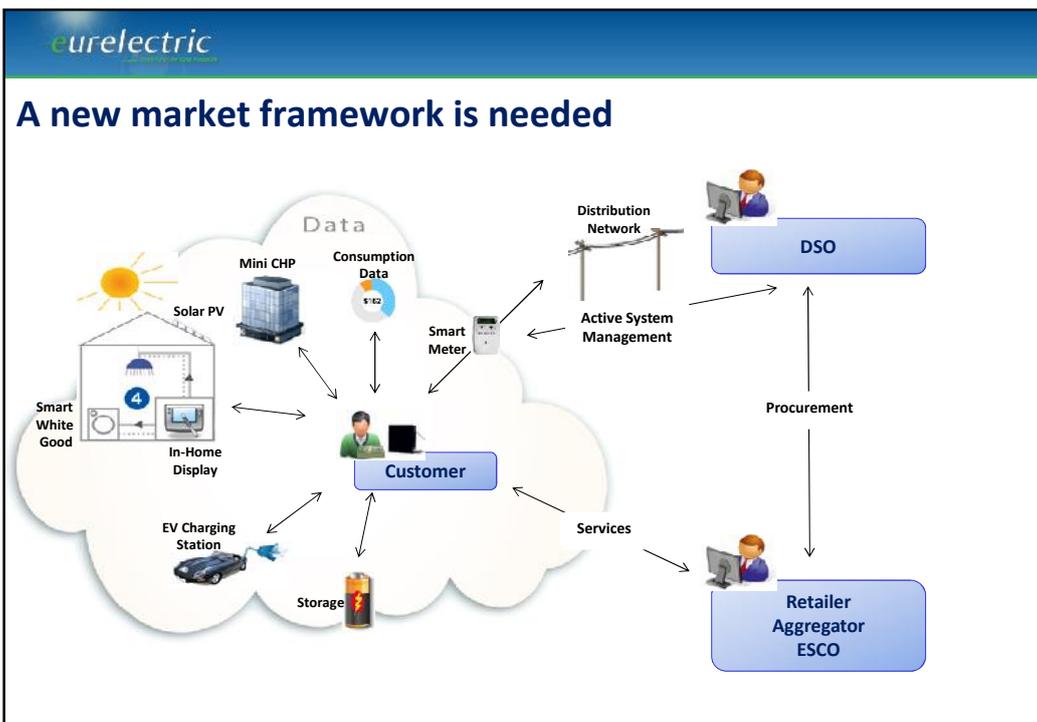
Getting complex




Getting expensive

SPIEGEL ONLINE
Germany's Energy Poverty: How Electricity Became a Luxury Good
 By SPIEGEL Staff

FINANCIAL TIMES
 Energy price gap with the US to hurt Europe for 'at least 20 years'



Three no-regret actions to empower customers while enabling innovation in downstream services

1 Make it simple – Since retail markets are headed towards greater complexity owing to new opportunities and needs, the system should be kept simple for customers to engage.



2 Make it cheap – Competing on a level playing field is the best way to ensure innovation and cost-effective delivery of downstream services.



3 Make it fair – New services might entail cost-shifting (cost socialisation) from one consumer group to another if regulation is not properly designed. Avoid the 'consumer divide'.



Each action is underpinned by three policy recommendations

Make it simple



1 Provide a simple customer interface

2 Have clear roles and responsibilities for all downstream players

3 Arrange all behind-the-scene processes between market parties and network operators in a seamless way

Make it cheap



- 1** Phase out regulated retail prices
- 2** Remunerate DSOs' system optimisation activities through effective incentive regulation aimed at stimulating innovation (e.g. implementation of active system management solutions)
- 3** Ensure a market design for all downstream service providers that prevents any free-riding (unnecessarily increasing costs for consumers)

Make it fair



- 1** Allow for fixed costs recovery by apportioning costs imposed on the system where originally incurred, thus avoiding hidden subsidies
- 2** Ensure the efficient design of grid tariffs and remove from the end-user price any taxes, levies and surcharges which should not be paid by electricity consumers
- 3** Guarantee specific protection for vulnerable customers using social policy measures