

Road map towards a common harmonised Nordic end-user market

NordREG Report 3 – 2012

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Key statements

- Harmonisation – stated recommendations, implementation and adaptation - of prioritised key processes should be as far as possible realised by 2015, and the work towards a common Nordic retail market will continue also after 2015.
- Harmonisation is possible only if there is a strong commitment from governments and stakeholders, and sufficient resources to adapt national legislation, rules and processes according to the common Nordic recommendations.
- The long term vision is to achieve a fully integrated common Nordic market with a common framework.

Introduction

The purpose of this road map is to describe the overall process to harmonise the Nordic electricity end-user markets. The main target groups for the road map are the Nordic governments, legislators and the electricity industry.

The road map will continuously be updated as the project progresses, at least once a year. It describes the recommendations already made by NordREG, as well as indicates up-coming recommendations. One important part of the Nordic harmonisation process is the monitoring of the progress of the project. It will be communicated through national implementation monitoring overviews, which will describe the state of play for each recommendation made by NordREG.

The road map highlights the importance of national commitment by different stakeholders, authorities and governments in order to successfully harmonise the Nordic end-user markets. This commitment is absolutely essential.

The goal for 2015 is to harmonise some of the legislation, rules and processes that constitute barriers for suppliers to establish their business in other Nordic countries. In order to achieve this goal, NordREG is working towards defining responsibilities in the customer interface of the supplier centric model and the way of billing the customers. Another important task is related to development of an efficient way of communication among a large number of Nordic electricity companies.

By 2015 the end-user markets should be harmonised to the extent that the most critical prerequisites have been achieved. But it is important to bear in mind that there are still many more steps to be taken also after 2015. The harmonisation process between the Nordic retail markets is a process that will continue for the foreseeable future.

Since there is no supranational organisation or institution (like in the EU), it means that any future development of the Nordic retail market will have to be continuously coordinated between the Nordic countries to ensure that the markets maintain the progress towards continued harmonisation.

The roll-out of the process is done in three phases:

1. Making Nordic recommendations;
2. National and Nordic political commitment and implementation; and
3. Market adaption.

Terminology

- A common harmonised market: This is a market where the most critical barriers for suppliers to establishing business in another Nordic country are eliminated. In the common harmonised market legislation regarding key issues such as responsibilities in the customer interface, billing, risk management, tax collection, number of contracts, making and ending contracts, universal service (supplier of last resort and default supplier), supplier switching, moving, information exchange, data format, regulation regarding DSO neutrality, balance settlement, access to data and metering, may or will be subject to changes.
- A fully integrated market: This is the long term vision of a market where all relevant legislation and processes are harmonised to the extent that they are almost identical. This does not include harmonisation of regulation of taxes or, for instance, other general business legislation outside of energy regulation.
- A supplier centric model: This model, which NordREG recommends, is characterised by the defined customer interface¹, where a majority of the customer contacts will be handled by the supplier. However, the DSO will still have ultimate responsibility towards customers regarding strictly network related issues.
- The customer interface: The point where the customer meets the market actors (suppliers, ESCOs etc.).

Objectives

During the process towards a harmonised end-user market NordREG conducts a series of investigations, resulting in recommendations. For all recommendations the following objectives are considered:

- ✓ *Customer friendliness*
- ✓ *Well-functioning harmonised market*
- ✓ *Improved competition*
- ✓ *Improved efficiency*
- ✓ *Compliance with EU regulation and development*
- ✓ *Neutrality of DSOs*

¹ See table 1.

General process towards harmonisation

The following subchapters describe the three phases of the process towards harmonisation: 1) making recommendations, 2) national and Nordic political commitment and implementation 3) 3) market adaption.

Since we are well aware of the fact that the four Nordic countries cannot at all times go at the same rate in changing legislation, the phases may overlap each other before as well as after 2015. It is naturally also so that some of the recommendations may already today be adapted in some countries and in others not.

The process of harmonisation is in our case somewhat different compared to harmonisation work initiated by the EU. There is no Nordic supranational body that can issue binding decisions, provide legislation through directives or sanction insufficient implementation. The Nordic harmonisation process is built on the declared and continued commitment among governments, authorities and stakeholders.

First phase: Making Nordic recommendations

In order to achieve harmonised rules and processes on a Nordic level, the process towards harmonisation starts with a Nordic process to develop a common regulatory framework. This is the phase we are at today, and the work is led by NordREG, while stakeholders take part to assist with their expertise. Draft reports are open for comments either through public hearings or consultations before finalising. Stakeholders are encouraged to participate in order to influence the process and give NordREG a broad perspective of each issue. This part of the harmonisation work results in Nordic recommendations issued by NordREG.

During this phase it is essential that the Electricity Market Group (EMG) will gradually be more involved to obtain acceptance and support from the Nordic energy ministers according to the assignment given earlier by them. The increased coordination work between NordREG and the EMG shall ensure the sufficient national involvement and implementation of the recommendations in each of the four Nordic countries.

Since NordREG has defined a supplier centric market model as the corner stone for the development of a harmonised end-user market, this first phase focuses on issuing recommendations that support that model.

Second phase: National and Nordic political commitment and implementation

The second phase of the harmonisation process is the process of national and Nordic commitment and implementation of the Nordic recommendations. This process is partly executed by national legislators and partly by regulators, depending on differences in national legislation.. It involves making the necessary national adaptations of legislation to establish a regulatory framework that supports and facilitates the recommendations.

Cooperation is essential for successful implementation of the common harmonised market. National consultations of new regulation and processes will take place according to normal national procedures. The Electricity Market Group (EMG)² will play a key role in monitoring the commitment from national legislators to actually implement the agreed recommendations into the national legislation.

Third phase: Market adaptation

The third phase of the harmonisation process is the market adaptation, where the stakeholders are given sufficient time to adapt their processes and IT-systems according to the new harmonised regulatory framework. During this phase NordREG monitors how the market participants adapt to the new rules.

Prerequisites for reaching the common harmonised market

Each country needs to implement Nordic recommendations

As NordREG delivers recommendations the need for national resources and commitment to adapt the recommendations will increase. Once the recommendations have been issued, the national implementations should start. When the process shifts from phase one to phase two - from Nordic to national level - NordREG's role will primarily be focused on coordination and monitoring of the national implementation process.

National implementation monitoring overviews

In trying to avoid unequal treatment of market participants, timeframes for implementation should be as similar as possible between the Nordic countries. NRAs will therefore, in cooperation with governments, ministries and relevant stakeholders such as industry organisations, establish national monitoring overviews for the implementation of the recommendations.

² EMG consists of representatives from the energy ministries in Denmark, Finland, Norway and Sweden. EMG is responsible for following up and coordination of the Energy ministers proposals and decisions.

See Annex 2 for a template of the national implementation monitoring overviews.

Strong commitment from ministries and governments needed

It is essential that sufficient resources are available at national level to adapt the Nordic recommendations in the national legislation, rules and processes. All Nordic regulators should therefore devote resources to be able to continue the on-going work and secure a successful national adaptation. Since changes in legislation should be coordinated as much as possible regarding the timeframe, there is also a need for strong commitment and coordination between the Nordic ministries and governments.

The continued political support and commitment for harmonising the Nordic end-user markets is essential for the success of this project.

Support from stakeholders is essential

Harmonising the Nordic markets is a challenging task, and the degree of success depends on strong support from stakeholders. All stakeholders have different responsibilities and the level of their involvement in this project varies at different stages.

The Nordic Council of Energy Ministers has assigned NordREG the task to harmonise the Nordic end-user market. The responsibility to coordinate the entire project belongs to NordREG but active work from governments, ministries, other authorities and market actors is crucial for the project.

As shown in figure 1 below, there are various stakeholders which should contribute with their expertise to the harmonisation process. Among those are industry organisations and consumer authorities. They have an important role in for example continuing to negotiate standard agreements to be used on a Nordic market.

Even though customers themselves do not directly take part in this project it is vital that they are and will be active on the electricity market if we are to realise the full benefits of increased Nordic competition. Active customers will push the competition between suppliers even further and make sure that new products and services are being developed. For this purpose we regard consumer interest comments on our public consultation as very important.



Figure 1: Actors with important roles in reaching a harmonised Nordic end-user market

Nordic retail market by 2015

NordREG has defined a supplier centric market model as the corner stone for the development of a common harmonised end-user market. The first recommendations that have been issued, as well as the ones coming up, are focused on supporting the development of that model.

NordREG has up to today made recommendations on responsibilities in the customer interface and billing. We have furthermore made preliminary conclusions on information exchange which we during 2012 continue to deepen with the purpose of making recommendations.

NordREG believes that by the end 2012 we are at a stage where the recommendations on *responsibilities in the customer interface* (consisting of 11 parts) and *billing* are such that they enable implementation into national legislation and regulation by 2015.

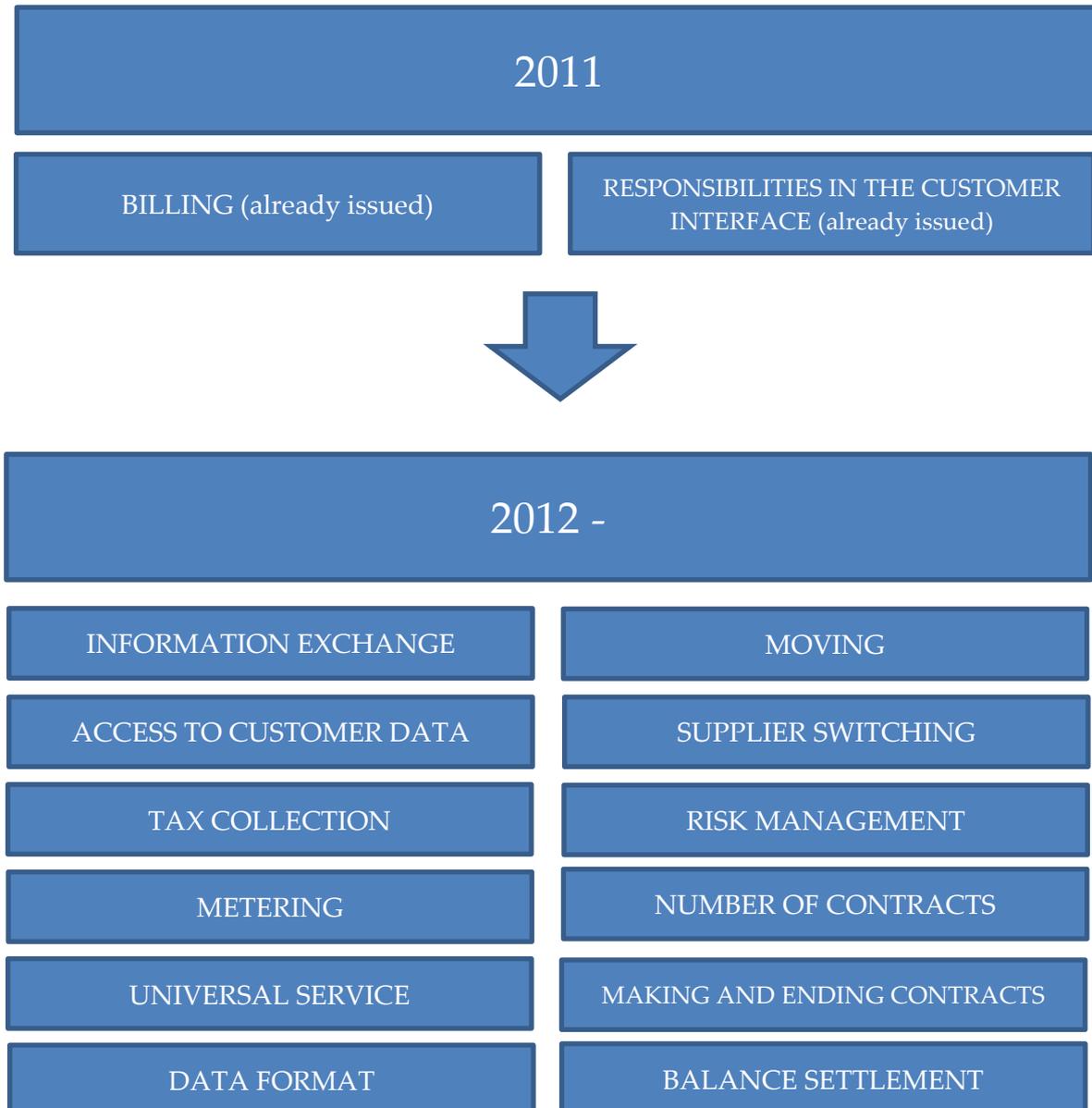
NordREG will during 2012 analyse business processes connected to supplier switching and moving (recommendations on responsibilities in the customer interface related to switching and moving has already been issued). We will also investigate on tax collection, risk management, metering, information exchange and access to customer data. We aim at making recommendations on these issues in 2012 and in 2013.

By 2015 the end-user markets should be harmonised to the extent that the most critical prerequisites have been achieved. However, the process of harmonisation will continue after 2015 since there are more recommendations to come and also taking into account that the electricity market is constantly developing and, as a consequence, naturally the legislation.

The two recommendations already made by NordREG are found in Annex 1 (responsibilities in the customer interface and billing) along with the preliminary conclusions on information exchange).

Overview of issued recommendations and the ones we foresee

Which recommendations are already made by NordREG and which are the ones we foresee in the near future? Below we show an overview. The year indicates the NordREG issuing year.



Annex 1: Recommendations made by NordREG as of today (June 2012)

Below are listed recommendations on

- Billing
- Responsibilities in the Customer interface

In the end of this annex we present our preliminary conclusions on information exchange.

Recommendation on Billing

The NordREG recommendations on billing were determined in the report *NordREG recommendations concerning the future billing regime in the common Nordic Retail Market* (2011). The recommendation is the introducing of mandatory combined billing performed by the supplier.

Recommendations on Responsibilities in the Customer interface

The NordREG recommendations for the responsibilities in customer interface in the supplier centric market model were determined in the report *Rights and obligations of DSOs and suppliers in the customer interface* (NordREG report 4/2011).

Having defined these responsibilities and roles constitute a first step towards the supplier centric model. In the on-going work on business processes and information exchange a second step is being taken, built on the settled roles.

The recommendations on responsibilities in the customer interface cover the following areas:

1. Supplier switching
2. Move in/move out processes
3. Queries and complaint handling related to the energy supply and contractual issues
4. Queries, complaint handling and compensation issues on the DSO
5. Providing information on various price components
6. Connection (new and change of connection)
7. Quality of supply and unplanned outage
8. Planned interruption of electricity supply
9. Metering and meter value reporting
10. Demand response
11. Micro generation

Tables with recommendations on allocation of responsibilities in the customer interface are presented below:

1. Supplier switching (including if there are any legal obstacles to suppliers handling the switching and moving processes towards customers instead of the DSOs.)	Primary contact		Responsible party	
	DSO	Supplier	DSO	Supplier
1.1 Customer contact actor to initiate the switch		X		X
1.2 Actor to inform the customer of procedures and status during the switching process		X		X
1.3 Check the prerequisites for the switch		X		X
1.4 Read the meter before/when the customer is switching			X	
1.5 Information about meter reading values in connection with switching		X	X	X

2. Move in/move out processes	Primary contact		Responsible party	
	DSO	Supplier	DSO	Supplier
2.1 Actor for the customer to contact for initiating the moving in/out process		X		X
2.2 Reading the meter when the customer is moving in/out			X	
2.3 Information about meter reading values in connection to moving in/out		X	X	X
2.4 Disconnect/reconnect		X	X	X
2.5 Information about disconnect/reconnect		X		X
2.6 New contract with grid company and/or supplier		X	X	X

3. Queries and complaint handling related to the energy supply and contractual issues	Primary contact		Responsible party	
	DSO	Supplier	DSO	Supplier
3.1 Actor for the customer to contact		X		
3.2 Validate the customer has the right to the information		X		X
3.3 Informs the customer of procedures and status during handling of errand		X		X
3.4 Management of errand and contract		X		X
3.5 Feedback and solution for customer		X		X
3.6 Electricity consumption (based on metering information)		X	X	X
3.7 Invoices		X		X
3.8 Payments		X		X
3.9 Contractual terms, sales		X		X
3.10 Contractual terms, grid	TBD2	TBD2	X	
3.11 Price and invoice for energy		X		X
3.12 Content of the bill		X		X

4. Queries, complaint handling and compensation issues on the DSO (e.g. compensation for damages, outage compensation, quality, lack of information etc.)	Primary contact		Responsible party	
	DSO	Supplier	DSO	Supplier
4.1 Actor for the customer to contact	X		X	
4.2 Validate the customer has the right to the information			X	
4.3 Informs the customer of procedures and status during handling of inquiries and complaints	X		X	
4.4 Management of inquiries and complaints	X		X	
4.5 Feedback and solution for customer	X		X	
4.6 Check the time of outage	X		X	
4.7 Evaluate the damages and map against agreed (legislation or other) compensation frames	X		X	
4.8 Initiate on site-check of damage or other checking to verify the claimed damages	X		X	
4.9 Execute compensation payment to customer	TBD	TBD	X	
4.10 Complaints or inquiries about grid tariff	X		X	

5. Providing information on various price components (network tariff, electricity price etc.)	Primary contact		Responsible party	
	DSO	Supplier	DSO	Supplier
5.1. Customer contact concerning questions or complaints about the invoice		X	TBD	TBD
5.2 Informs the customer of procedures and status during the handling of an invoice errand and who provides feedback and solution for the customer		X	TBD	TBD
5.3. Customer contact concerning questions or complaints about the electricity price components (including taxes)		X		X
5.4 Informs the customer of procedures and status during the handling of an errand concerning electricity price components and who provides feedback and solution for the customer		X		X
5.5. Customer contact concerning detailed grid tariff components (including taxes)	X		X	
5.6 Informs the customer of procedures and status during the handling of an errand concerning grid tariff components and who provides feedback and solution for the customer	X		X	

6. Connection (new and change of connection)	Primary contact		Responsible party	
	DSO	Supplier	DSO	Supplier
6.1 Customer contact to arrange a new connection to the grid	X		X	
6.2 Informs the customer of procedures and status during handling of errand	X		X	
6.3 Management of errand	X		X	
6.4 Feedback and solution for customer	X		X	
6.5. Invoice the customer	X		X	
6.6 Installation issues	X		X	
6.7 Turn on/off connection	X		X	
6.8 Establish new or adjusted grid contract	X		X	
6.9. Arrange a supply contract for a new connection point		X		X

7. Quality of supply and unplanned outage	Primary contact		Responsible party	
	DSO	Supplier	DSO	Supplier
7.1 Customer contact	X		X	
7.2 Feedback to the customer	X		X	
7.3 Providing the solution for the customer	X		X	

8. Planned interruption of electricity supply	Primary contact		Responsible party	
	DSO	Supplier	DSO	Supplier
8.1 Customer contact, informs customer	X		X	
8.2 Feedback and solution for customer	X		X	
8.3 Planned outages (who should inform customer, how)	X		X	
8.4 Actor to inform on the steps and who will carry on them when interrupting the supply (reminders, warnings of interruption etc)	X		X	

9. Metering and meter value reporting	Primary contact		Responsible party	
	DSO	Supplier	DSO	Supplier
10.1 Answer technical issues regarding metering	X		X	
10.2 Provide meter data to customers	X	(X)	X	
10.3 Answer queries about meter values	X	(X)	X	
10.4 Answer questions about meter switching and functionalities	X		X	

(X) = The obligation to inform customer lies on the DSO, but all suppliers should have equal access to metering data to easily provide the same information to customers if they want to.

10. Demand response	Primary contact		Responsible party	
	DSO	Supplier/ESCO	DSO	Supplier/ESCO
12.1 Answer questions, receive feedback and complaints on commercial issues (including any technical device provided by the supplier or the ESCO)		X		X
12.2 Answer questions, receive feedback and complaints on meter and grid issues	X		X	

11. Micro generation	Primary contact		Responsible party	
	DSO	Supplier/ESCO	DSO	Supplier/ESCO
13.1 Answer questions, receive feedback and complaints on commercial issues (including any technical device or production unit provided by a commercial market actor)		X		X
13.2 Answer questions, receive feedback and complaints on meter and grid issues	X		X	

Preliminary conclusions on Information exchange

One of the obstacles for suppliers acting in several countries today is connected to communication with DSOs in business processes such as supplier switching, moving and billing. The way suppliers and DSOs currently communicate vary in communication protocols, data format, content of messages and also data storage/communication partner.

Below we present the preliminary conclusions on information exchange that were determined in the NordREG Report *High level suggestions for common Nordic processes for information exchange - obstacles and possibilities* (Report 1/012). These preliminary conclusions are at a high-level and will be further elaborated into recommendations within NordREGs work 2012.

- A tool in each country that at least helps suppliers when they need to get relevant customer information in order to carry out a supplier switch etc.
- Not more than one interface in the supplier's procedure of retrieving and providing the relevant data in a business process.
- The responsible party for customer data and processes is the same between the countries.

- One unanimous system for the market actors on the Nordic market without costly country specific adjustments.
- Common rules for message format and content should be in place.

Annex 2: National implementation monitoring overview

Below we present a table (template) with the purpose of communicating the state of play in each country, regarding the process for each recommendation. Along with the up-dating of this Road map, each NRA will, through these implementation overviews, present the current state in the implementation process. So by the next version of the Road map there will be four overviews accompanying. As soon as each criterion has been achieved, each country will fill in the date in the relevant box – this means that the table does not give any forecast on when the criteria will be fulfilled, but when they actually are fulfilled.

We differ between legislation and regulation, with legislation being the acts approved by the parliaments, and regulation being secondary legislation partly issued by the NRAs.

NordREG will monitor and regularly gather the four overviews (Norway, Finland, Denmark, Sweden), and publish the state of play on the website.

RECOMMENDATION	ISSUED BY NORDREG	IMPLEMENTATION OF LEGISLATION/REGULATION STARTED/NOT STARTED	PROPOSAL OF LEGISLATION/REGULATION READY	LEGISLATION/REGULATION COMPLETED	MARKET ADAPTION
1. Billing	2011	Legislation: Regulation:	Legislation: Regulation:	Legislation: Regulation:	
2. Responsibilities in the customer interface	2011	Legislation: Regulation:	Legislation: Regulation:	Legislation: Regulation:	
3. Information exchange		Legislation: Regulation:	Legislation: Regulation:	Legislation: Regulation:	
4. Moving		Legislation: Regulation:	Legislation: Regulation:	Legislation: Regulation:	
5. Access to customer data		Legislation: Regulation:	Legislation: Regulation:	Legislation: Regulation:	
6. Tax collection		Legislation: Regulation:	Legislation: Regulation:	Legislation: Regulation:	
7. Metering		Legislation: Regulation:	Legislation: Regulation:	Legislation: Regulation:	

8. Universal service		Legislation: Regulation:	Legislation: Regulation:	Legislation: Regulation:
9. Data format		Legislation: Regulation:	Legislation: Regulation:	Legislation: Regulation:
10. Supplier Switching		Legislation: Regulation:	Legislation: Regulation:	Legislation: Regulation:
11. Risk management		Legislation: Regulation:	Legislation: Regulation:	Legislation: Regulation:
12. Number of contracts		Legislation: Regulation:	Legislation: Regulation:	Legislation: Regulation:
13. Making and ending contracts		Legislation: Regulation:	Legislation: Regulation:	Legislation: Regulation:
14. Balance settlement		Legislation: Regulation:	Legislation: Regulation:	Legislation: Regulation:
15. <i>(new recommendations to come)</i>		Legislation: Regulation:	Legislation: Regulation:	Legislation: Regulation:

Explanation of criteria

Implementation started/not started: The implementation is regarded as started when a formal decision is taken by the NRA.

Proposal of legislation/regulation ready: A proposal of legislation is regarded as ready when a suggestion of legal text is sent to the ministry. A proposal of regulation is regarded as ready when a formal proposal from the NRA has been communicated externally.

Legislation/regulation completed: A legislation/regulation is regarded as completed when it is decided in the last instance (Government or NRA).

Market adaption: Market adaption is regarded as completed when the market has started to act according to the legislation/regulation.

In some cases the recommendations may already be in place in some countries, due to the fact that legislation and regulation in the Nordic countries faces different

natures - some recommendations where implemented and/or adapted before the start of the NordREG work. In these cases, this will be indicated in the relevant boxes.

Description of the on-going processes

To provide room for a short explanation to each recommendation process, each NRA can, if they prefer, write a text accompanying the template above:

1. Billing

In SE/NO/DK/FI we are for the moment And we plan to by December ... Obstacles for the time being are ... planned to be solved by doing Hearing with stakeholders will take place ... Communication with Government ...

2. Responsibilities in the customer interface

(As above)

3. Information exchange

(Etc as above)

4. Moving

5. Access to customer data

6. Tax collection

7. Metering

8. Universal service

9. Data format

10. Supplier Switching

11. Risk management

12. Number of contracts

13. Making and ending contracts

14. Balance settlement

15. *(Etc for new recommendations)*

Annex 3: Abbreviations

TSO - Transmission system operator

DSO - Distribution system operator

NRA - National regulatory authority

ESCO - Energy Service Company

EMG - The Electricity Market Group