

Protecting vulnerable European energy consumers against market-based pricing and digitalisation

KEYWORDS Energy poverty; Consumer behaviour; Local energy; Energy Communities; EU Clean Energy Package

TIMEFRAME Fellowship meetings with Associates took place in May and June 2020.

ENERGY-SHIFTS RAPPORTEUR Nena Bode



Energy-SHIFTS Policy Fellow

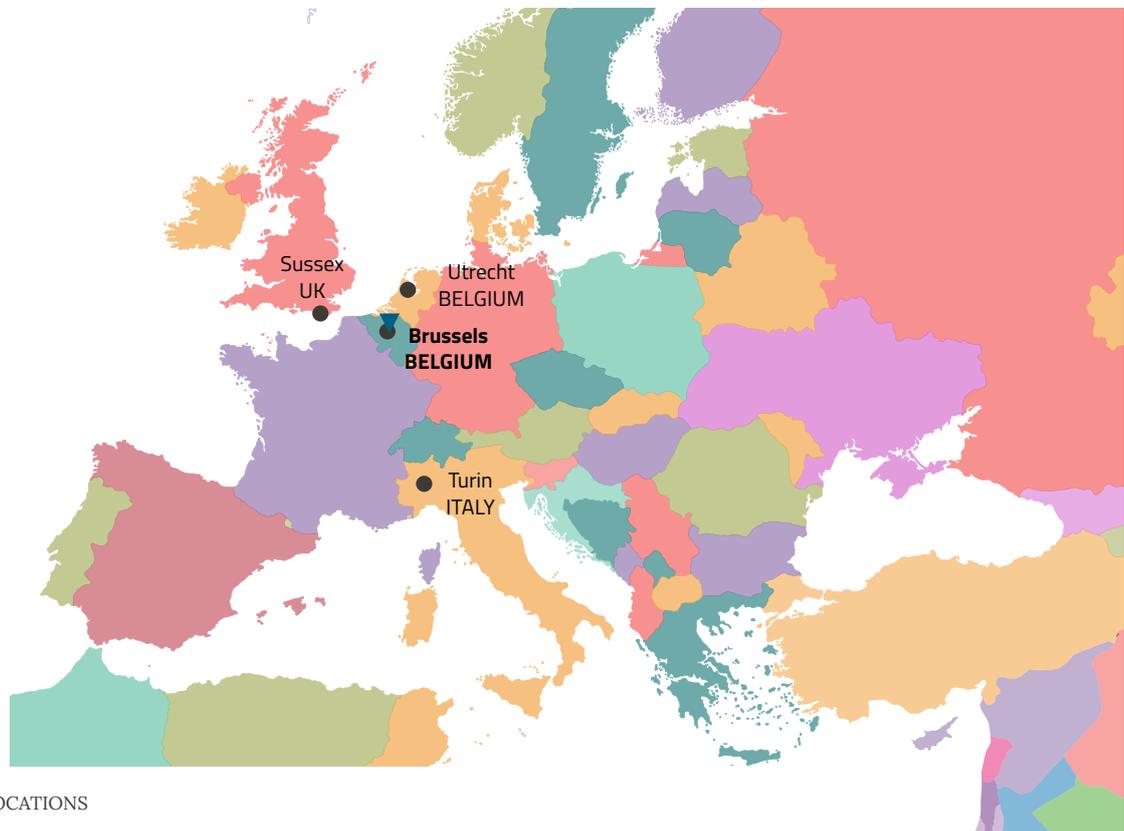
Gert De Block

Secretary General, CEDEC - the European Federation of Local and Regional Energy Companies,
Brussels, Belgium



Policy Fellow Team Members

During the Fellowship, Gert involved his CEDEC colleague Monica Di Pinti (EU Policy Officer), who led two of the calls.



▼ FELLOW'S LOCATION

● ASSOCIATES' LOCATIONS



This Energy-SHIFTS Policy Fellowship report is part of a wider collection published in November 2020 describing dialogue between 21 energy policyworkers and [86] social scientists and humanities scholars, available via energy-shifts.eu.

Policy context

CEDEC - the European Federation of Local and Regional Energy Companies - was founded in 1992, with Gert taking on the role of Secretary General in 1996. CEDEC now represents the interests of more than 1,500 local and regional energy associations and companies across the EU. Local energy companies - including many with local, public shareholders - are often directly aligned with promoting the energy transition, and seeking to do so in a cost-effective, environmentally friendly way, while being an important engine for local value creation. CEDEC sees its members as able to provide services that are reliable, sustainable, and close to the customer.

The transition to a low-carbon energy system and supportive technologies is increasing the complexity of social problems, such as energy poverty. Regulated pricing - where energy prices are subject to regulation e.g. by the local authority - has been one tool which has been used, amongst other reasons, to protect customers. However the EU Clean Energy Package¹ creates pressure to phase out regulated prices for domestic energy users, which may put certain consumer groups at risk. To counter this, in the transposition of these directives, EU member states are free to implement exceptions to phasing out of regulated prices, so as to protect specific categories of consumers. The question then is how these new exceptions could or should be implemented.

Gert therefore wanted to use his Energy-SHIFTS Fellowship to discuss the implementation of the Clean Energy Package and its implications for vulnerable groups with researchers from across the Social Sciences and Humanities (SSH). He feels the European Commission does not sufficiently address the issue of vulnerable consumers currently. As a starting point, what constitutes 'vulnerable consumers' is not clearly defined, which makes it difficult for the member states to address the problem in a consistent way. Gert believes that this discussion will help CEDEC to follow up, guide and coordinate national primary and secondary legislation concerning vulnerable consumers. Doing so will ensure that CEDEC's members will have the means to provide these consumers with the fairest and most secure energy services. Gert is also interested in addressing potential negative implications for consumers (including vulnerable groups) of the digitalisation of energy systems and services.

“ Participating in Energy-Shifts Fellowship allows us to exchange with scientists on social implications of energy transition measures, to ensure they will be inclusive (a.o on pricing, digital services, appliances & infrastructures) and will benefit the whole society, including vulnerable energy consumers ”

Gert De Block

Policy challenges

Given the policy context outlined above, the following SSH-related questions were prepared by Gert and presented to Policy Associates prior to meetings, in order to facilitate discussion:

- How to prevent vulnerable consumers from being confronted with and getting locked into higher energy prices?
- How to take into account consumers who are not able to automatically adjust their consumption behaviour and cannot profit from the potential benefits provided by digitalisation such as dynamic prices?
- How to encourage less digital-savvy consumers to take up a more active role in the energy market through new energy services?
- How to ensure personal data is protected while data is shared and used to implement and improve the services?

Underlying these challenges is a more general interest (of Gert and CEDEC) in ensuring citizen participation in energy transitions to make these more inclusive, as well as the incentives that will help achieve - also in an inclusive way - energy and climate goals for 2030, and to realise full decarbonisation by 2050.

¹ The EU Clean Energy Package sets the EU energy efficiency and renewable energy ambitions for the 2030 horizon. It also updates the rules that govern the functioning of the internal electricity market and the transmission and distribution grids. Read more at: https://ec.europa.eu/energy/topics/energy-strategy/clean-energy-all-europeans_en



Matched Policy Associates

Given the policy challenges addressed by Gert, the Energy-SHIFTS team looked for academic expertise in the fields of energy poverty policy, digitalisation and (European) law. The four Associates matched with Gert were:

Bonno Pel - Researcher Sustainability Transitions, Institute for Environmental Management and Land-use Planning (IGEAT-CEDD), Université Libre de Bruxelles, Belgium. Bonno has a background in Environmental Social Sciences, Political Science, and Science and Technology Studies. Bonno was invited due to his research expertise in politics, sustainability transitions and governance dilemmas.

Sanne Akerboom - Postdoc researcher, Copernicus Institute of Sustainable Development, Utrecht University, the Netherlands. Sanne was invited for her relevant expertise in governance of the energy transition, legal frameworks and societal acceptance. Her background lies in Environmental Social Sciences, Law, and Politics.

Benjamin Sovacool - Professor in Energy Policy at the Science Policy Research Unit, University of Sussex, UK. Sovacool was invited for his expertise in energy justice, energy security, energy poverty, and overall Environmental Social Science. He regularly provides consultation for the development of energy policy.

Chiara Certomà - Assistant Professor in Political-Economic Geography, University of Turin and Research Affiliate, Centre for Sustainable Development (CDO), Ghent University, Ghent, Belgium. Chiara was invited for her general expertise in governance and sustainable development, and specifically on the topic of digital innovation.

Discussion points and SSH insights

Gert and Monica had bilateral calls with each of their Policy Associates between 19 May and 11 June 2020. Gert also participated in an online workshop with other Fellows and Associates working on challenges under the same thematic category on 8 June 2020. In this section, we summarise the main insights and discussion points from these exchanges.

The discussions show roughly three different, but not mutually exclusive, perspectives on how to address energy poverty and acceptance of renewable energy systems. One perspective emphasises building the capacities of energy communities as a catalyst for transition. The second perspective focuses on targeted strategies for including vulnerable groups to tackle energy poverty. Lastly, looking at the issue holistically, it was discussed that energy poverty must be understood and dealt with as a multidimensional problem. Finally, Gert had raised the question of digitalisation in his policy challenges, and this theme is touched on in a final subsection.

Encouraging energy communities by building capacity with those who can ‘do more’

The role of energy communities² – as an intermediate body between energy suppliers and vulnerable consumers – are crucial in a free market and the meetings included discussion of how they may be currently underestimated in the EU Clean Energy Package. Like other intermediary bodies, energy communities can help vulnerable (and other) citizens in sharing production and distribution costs and implementing home-based solutions to save energy. However, energy communities can only be realised through collective investments upfront, for instance with regards to maintenance services, security of energy systems, and financial buffers. In order to achieve an energy transition,

² Energy communities are a way to organise collective energy systems, usually based on principles of open and democratic participation. These are initiated by a collective of citizens in which members themselves are responsible for producing (and distributing) energy for the local community.

some Associates suggested that vulnerable consumer groups may not (yet) have the means to seize all the opportunities offered by energy transition, digitalisation and dynamic prices.

Instead, one Associate argued, we could focus on maximising the positive externalities for those who have the possibility and can afford to 'do more' in transitioning to a low-carbon future, whilst ensuring a decent minimum basic social security for all. For this strategy, it is important to have a discussion about redistributing wealth beyond the sphere of energy policy. In this way, by following the logic of 'prosumerism'³ - which, as mentioned, is only possible by collective investments upfront - energy communities can bring advantages to society, potentially reducing inequalities and making the energy transition more accepted, as long as no one loses from it.

Targeted strategies for vulnerable consumers

Two Associates brought a counter point to the approach above, highlighting that - whilst important - a focus on energy communities alone is not enough to ensure a just energy transition. Since participation in energy communities is seldom available to vulnerable consumers, this could ultimately create an even bigger gap between two consumer categories. This may mean that options for participation of vulnerable consumers in these schemes should be actively created. In order to improve the situation of vulnerable consumers, local needs and fair distribution of costs and benefits needs to be considered. In this regard, it may be very useful to have the decision-making of energy companies close to customers - a factor very much at the forefront of CEDEC's members priorities. This issue could also be addressed by EU Member States in their national energy poverty action plans or other means, such as non-financial policy instruments to support the role of energy communities. Improving the situation of vulnerable consumers will improve social acceptance of the energy transition, which could remove barriers to test innovative energy solutions.

Recognising multi-dimensionality of energy poverty

One Associate emphasised the need to define energy poverty as a multi-dimensional concept, which encompasses a wide variety of conditions that can make people vulnerable in a free-market scenario. These can be individual conditions that make people vulnerable to price oscillations, such as having low income or their housing situation. Conditions can also be contextual, such as living in a geographically marginal area (e.g. high mountain regions) or socially marginalised areas (e.g. banlieue). Moreover, where a lack of economic resources is accompanied by a lower-level education, this might prevent citizens from understanding contracts or participating in lobbying/political/consultancy activities. It is important to take both aspects into account in order to set up a fair energy provision system. As one Associate emphasised, in order to tackle energy vulnerability now and avoid replication in the future, a revision clarification of the role of 'energy communities' as defined in the Clean Energy Package would be very much welcomed.

Digitalisation

While initially Gert was interested in also focusing on the issue of digitalisation, throughout the conversations the focus mainly was on the possibilities, limitations and risks related to the engagement of vulnerable consumers in energy markets. These elements are enlarged when products and services become more digital. It is not necessarily possible for less digital-savvy consumers to profit from a more active role in the energy market through new energy services. Protection of personal data requires consumers' specific attention, while data are shared and used to implement and improve digital services.

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 3 A situation in which the boundary between consumer and producer of energy becomes blurry, for example where members of energy communities produce energy for their own consumption without intermediate parties.

Translation to policy impacts

The programme allowed Gert and Monica to confront their ideas and underpin CEDEC's position with academic expertise. They found that very valuable and structured knowledge and thinking was shared by the researchers, which will lead to continued cooperation in the future to support CEDEC's policy positioning in these fields. Indeed, Gert held a follow up meeting with one of the Associates over summer 2020 to discuss precise content and deliverables for future cooperation.

Exchanges during the Policy Fellowship may directly contribute to three areas of CEDEC's work:

1. **Strategy documents.** These include internal briefings as well as reports developed by CEDEC for their membership.
2. **CEDEC Working Group proceedings.** Insights may feed into the CEDEC Working Group on Consumers, and in particular the Working Group is currently developing a position paper on how to improve the functioning of the energy retail markets for all types of consumers and especially for the most vulnerable ones.
3. **Dedicated webinars.** The academic insights and research results from the Fellowship are planned to be integrated in one or more upcoming CEDEC webinars.

Reflections from Associates

Associates were asked what they learnt about on-the-ground energy policy challenges from their virtual meetings with Gert and Monica. Here we share some of their reflections which emphasise the difficulties in concretely addressing energy vulnerability issues.

*"I learned about the practical difficulties to mediate different and often competing positions in the context of the EU, where **country-specific policies and culture-rooted routines are hard to be modified**. I also came to know about the impact of deciding for alternative definitions on the regulation of energy systems."*

*"There is a certain yearning to find decision-making arenas and channels for political influencing **through which to address issues of distribution and inclusion**."*

*"It is inspiring to see a company such as CEDEC undertake efforts to reduce energy vulnerability. I **was challenged in my assumption that private sector actors won't seek to address energy justice concerns**."*

*"I learned that the idea of **vulnerable consumers** - although overall valued as important - **does not receive an elaboration nor implementation other than market competition**. Given the fact that the concept of vulnerability has been consistently used throughout the four energy directive packages, I thought it was rather important but in fact, **the solutions put forward fall short of actually improving the situation of vulnerable consumers**. I thought that was common knowledge, but was mistaken."*