PRESS RELEASE

Energy: ARERA published the 2018 Retail Market Monitoring Report

Switching are increasing but some critical issues persist; customers prefer fixed price offers; suppliers in the free market offer also additional services; still few customers chose online offers despite their convenience

Milan, 13 December, 2019 - In the electricity and gas sector, customers continue to leave standard offer regimes. Almost half of the customers chose an offer in the free market.
These are the basic elements of the recently published *2018 Retail Market Monitoring Report*, which joins the first previews of 2019 data, already presented by ARERA (The Italian Regulatory Authority for Energy, Networks and Environment) in previous documents. Based on these latest data, 46.5% of households (around 13.7 million) and already 59.1% of non-households (around 4.1 million) abandoned the standard offer in 2019. In the gas sector, as early as December 2018, 50% of households chose an offer were in the free market.

2018 *Retail Market Monitoring Report*

Electricity
There are uneven competitive dynamics in the electricity sector among the types of customer. In 2018, suppliers in the free market continued to grow in number, reaching 426, up 35 units compared to 2017.
Numerous corporate groups have also grown geographically, broadening their presence on national soil: 53% are present in more than half of Italian regions.
In contrast, the trend in concentration at national level is varied among the different types of customer.
As regards to households segment, the free market share of the leading operator falls below half, 49.3%, in terms of energy supplied, 50.4% in terms of points of delivery; while the top three operators together serve 67.0% of the market in terms of energy and 68.3% in terms of points of delivery.
The increase in the number of operators is linked to the fragmentation of market shares rather than to their average growth, reflecting the easy entry into the market but difficulties in acquiring shares of customers.
In 2018, 60.4% of households that left the standard offer regime chose the supplier integrated with the distribution operator. In total, in 2018, 14.1% of households changed supplier and 5.8% renegotiated their contract with their existing supplier (record highs).
The critical elements for the competitiveness of the households retail market (such as concentration, the competitive advantage of the operators qualified for the standard offer regime, the presence of growth barriers and the less dynamic nature of customers) are still significant, albeit with small signs of improvement.

Gas
Even in the natural gas sector, the number of operators active on the free market has increased: in 2018, there were 396, up 9 new groups in a year.
Again in 2018, unlike in the electricity sector, competition among suppliers seems to occur mainly on a regional or sub-regional level, not yet reaching national proportions.
Since 2015, the number of operators with a significant presence in at least 4 regions (23) has remained stable. Furthermore, since 2012, only the two main operators have significant presence in at least half of the national territory.
The proportion of customers under standard offer still remains significant, despite the fact that the proportion of customers on the free market has increased by 6% for households, reaching 50% (and 50.4% of gas supplied) and by 5% for condo households.
In the gas sector, switches by households (supplier change and renegotiation) have also increased compared to 2017, reaching the maximum value since 2012 of 16.6%.

As in the electricity sector, incumbent suppliers have a certain competitive advantage over the free market in increasing their market shares. Their territorial presence is very significant and many incumbent suppliers, and in particular the largest national operator, still supply most of their households under the Standard Offer Regime.

Offers and prices

In the ARERA *Portale Offerte* of (www.ilportaleofferte.it) in December 2018, for the electricity sector, there were 774 offers available for households and 705 for SMEs. 57% of all them were fixed-price offer. Furthermore, we note the strong diffusion of PLACET (Free Price offers under uniform contractual conditions, which can be both fixed and variable price), for 64% of the offers available on the *Portale Offerte*. For the gas sector, 887 commercial offers were available for households, 673 for central heating and 792 for non-households. Of these, 52% were fixed-price offers. PLACET offers are equally widespread in the gas sector, accounting for 89% of available offers.
Again with reference to 2018, we confirm that households predominantly prefer fixed-price offers over those with variable prices: for the electricity sector, 85.9% of new contracts signed by households consisted of fixed-price offers (+2% compared to 2017); in the gas sector, this preference is slightly less frequent, but still prevalent (70.4% in 2018, up 1.8% compared to 2017). Furthermore, fixed-price offers signed by households mostly include additional services or other elements of differentiation (87.9% in the electricity sector and 55.0% in the gas sector). PLACET offers are still not well known and not often chosen.
In the free market there are savings opportunities both for variable and fixed-price offers: in May 2018, among the first PLACET offers in the *Portale Offerte*, for example, there were possible savings for variable offers in the electricity sector of 3.0% for domestic and 0.9% for non-households, which for fixed-price offers were -7.0% for households and -9.7% for non-households.
Further savings opportunities are confirmed by the convenience of online offers compared to those that can be subscribed to through other channels, but faced with this value for money, only 3.4% of customers in the electricity sector subscribe to them and 2.6% for the gas sector.

Despite the availability of cheaper standard offers in 2018, households who opted for a contract in the free market paid more on average, in consideration of the choice of offers that often include additional services, elements of commercial differentiation and different price structures. The survey therefore seems to reveal a lack of awareness on the savings opportunities of the offers. However, the difference between supply costs paid by households on the free market and those under standard offer has reduced in recent years. In contrast, SMEs on the free market paid on average lower supply costs than those on the standard offer market. Lastly, with regard to electricity prices, it should be noted that despite the fact that a certain differential remains between the average prices paid by the various types of customer (free/Standard Offer, domestic/non-domestic), their trends appear to have converged as of 2016.

Complaints

The complaint ratio (ratio between number of complaints and customers served) in the electricity sector decreased for all types of customers compared to 2017, with a total of around 165,200 complaints (out of 29.5 million customers).
Billing and double billing corrections have fallen even further, reaching their lowest since 2012, fewer than 13,200 for the free market and around 3,100 for standard offers.
With regard to disputed contracts in the electricity sector, in 2018, 2,529 complaints were registered (1,680 households and 849 SMEs), equal to 0.07% of the contracts concluded in the same period (down compared to the past).
In the gas sector, the customer complaint index in the free market has been stable since 2016 at 1.3%. The number of disputed contracts also seems small. In 2018, it involved 0.06% of the contracts concluded (against 0.1% in 2017), with 831 cases out of almost 1,365,000 contracts.

Payment arrears

Requests for the suspension of the service for payment arrears have an uneven trend among the various types of customer and between the free market and standard offer services, as well as an uneven distribution in the different regions of Italy. For example, in the electricity sector, for Standard Protection, requests for effective suspension with respect to the number of points served range from 2.7% in the North, to 4.3% in the Centre and 6.2% in the South. For the free market, the rates are respectively 4.2% in the North, 6.3% in the Centre and 10% in the South.

As regards households only, the national average of requests for suspension for standard offers is 3.5%, with strong variations ranging, for example, from 6.5% in Campania to 4.3% in Lazio, 2% in Veneto and 1.2% in Valle d'Aosta. For households in the free market, the national average is 5.8%, with variations ranging, for example, from 11.2% in Campania and 10.5% in Sicily to 5.9% in Tuscany, 4.3% in Piedmont and 2.1% in Valle d'Aosta.

As a trend, for the *electricity sector*, the requests for suspension are lower for households and SMEs in the free market. On the other hand, they increase for SMEs under standard offer and for large companies in the free market.

Even in *the natural gas sector*, requests for suspension due to defaulting are more frequent for non-households than for households. However, suspension requests are on average fewer than in the electricity sector [1] . For example, for households, the proportion is 1.5% for the standard offer service and 4.5% for the free market. There is confirmation of the difficulty in carrying out the suspension due to the peculiarities of the sector, including the still widespread presence of locally-managed and hard-to-access meters.

[1] it should be noted that, in the gas sector, unlike the electric sector, distributors are only required to satisfy a predetermined maximum number of suspension requests and that there are still fewer operational remote-controlled meters that can suspend supply remotely than in the electricity sector