



## RENEWAL OF JOINT COMMON PRINCIPLES FOR ENHANCED CONSUMER PROTECTION THIS WINTER

### WHY WE ACT

The Russian invasion of Ukraine in February 2022 dramatically changed the economic and social situation in Europe, with costs-of-living rising sharply in the Union also due to a large-scale-increase of energy prices.

The extraordinary situation required joint efforts to enhance the protection of all consumers. This is why on 12 December 2022, high level representatives of European consumer organisations, regulators, distributors and energy suppliers (BEUC, CEDEC, CEER, EER, E.DSO, EU DSO Entity Eurelectric, Eurogas, and GEODE) signed a joint declaration, setting a common ground for additional voluntary consumer protection measures beyond the existing regulatory framework. This joint declaration recognised that vulnerable customers and those in energy poverty are hit the hardest by the crisis, but that an increasing number of low- and middle- income households are also concerned - including those who have not been identified as vulnerable.

Since then, the Commission has made important proposals on Electricity Market Design, which would enhance protection for consumers, notably during electricity price crises. These proposals are currently being discussed in negotiations between the European Parliament and the Council, as are the proposed changes to the Gas Directive 2009/73, which will also update the framework for consumer protection. The Commission has also just published a recommendation on energy poverty, which gives guidance to Member States on measures to tackle energy poverty, including good practices.

Although wholesale energy prices have decreased from the highs reached during last winter, and we are now far from the extreme volatility experienced in 2022 vulnerable customers and those in energy poverty continue to face difficulty paying bills and the cost of living remains high. According to the most recent data from Eurostat<sup>1</sup>(as of end of 2022), 40 million Europeans consider they are not able to adequately heat their homes and 6,9% of the EU population are in arrears on utility bills. In the current socio-economic context and with winter fast approaching, it is crucial consumer protection remains high.

Building on the success of the joint declaration signed in December 2022, which complemented the different actions undertaken by the Member States and the EU, all signatories agree to renew their strong voluntary commitment to ensure consumers are sufficiently protected during the next winter. We also extend our willingness to cooperate in the context of the Citizens Energy Forum, and after on a periodic basis, to identify best practices, draw lessons learned from these crisis years and prepare for the implementation of the new regulatory framework. In a common effort, and supported by the European Commission, we, BEUC, CEDEC, CEER, EER, E.DSO, EU DSO Entity Eurelectric, Eurogas, and GEODE therefore encourage the implementation of specific measures to support consumers through next winter and help them face the longlasting effects of the energy crisis within the European Union.

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<sup>1</sup> See Statistics | Eurostat (europa.eu) and Statistics | Eurostat (europa.eu)

Therefore, we call on our members to take a strong commitment to enhance consumer protection and apply the following:

## **GUIDING PRINCIPLES**

- I. Solidarity with all people in need:** the negative impact of the energy crisis on consumers is most acute for consumers in vulnerable situations and those suffering from energy poverty. Increasingly, however, middle-income households are also at risk of not being able to pay their energy bills. Solidarity mechanisms involving all concerned parties are needed to ensure that the increased overall cost of energy remains acceptable in relation to consumer income, while protecting the price signal to ensure energy demand reduction when possible. Public policies and the implementation of relevant legislation remain fundamental to ensure consumer protection and must be rigorously enforced, while additional solidarity mechanisms are necessary.
- II. A holistic, but targeted approach to consumer challenges:** In the current cost of living crisis, citizens with limited financial resources often face challenges in paying their other essential bills too. In addition to their respective national consumer protection and social policy frameworks, targeted support measures by Member States taking into account the consumers' global debt profile are an important complementary measure. Under this initiative, suppliers will further step up their efforts until end March 2024 to support consumers, especially vulnerable ones<sup>2</sup> and those finding themselves unable to pay their bills for the first time.
- III. Avoidance of excessive risks for energy suppliers:** suppliers, some of which are actively supporting customers, can further contribute to solidarity only in so far as they do not incur excessive financial risks and taking due consideration of specific additional national requirements (e.g. on bills reductions). Additionally, suppliers, especially the smallest ones, are facing serious financial distress and an increased default risk, linked to additional costs of procurement and hedging – both in price and in margin- call - to cover unexpected consumption variations in a volatile market.
- IV. Demand reduction measures:** they should be targeted and support consumers in reducing their energy consumption for instance by remunerating consumers for reducing electricity consumption at peak times, and providing them with appropriate equipment allowing them to participate to these demand reduction schemes and uptake of energy efficiency and saving measures. When conditions allow, smart meters help provide more accurate signals to consumers and facilitate their participation in demand reduction schemes. The energy crisis has highlighted the importance of making customers aware on energy saving potential and means to achieve it as well as on the importance of competition as higher savings opportunities appear in the most competitive markets.<sup>3</sup> Widespread information campaigns and tailored guidance will also play an important role in encouraging energy savings by all consumer groups.
- V. Ensure basic needs are met for all:** access to energy is essential. The needs of the most vulnerable consumers and those in energy poverty need to be addressed, some are already insufficiently heating their homes as they cannot afford to further reduce their energy consumption in the very short-term. In such cases, price signals are not effective and specific measures to finance energy efficiency measures are needed, as energy price spikes should not

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<sup>2</sup> According to Article 28 of the Electricity Directive 2019/944, *Member State shall define the concept of vulnerable customers which may refer to energy poverty and, inter alia, to the prohibition of disconnection of electricity to such customers in critical times. The concept of vulnerable customers may include income levels, the share of energy expenditure of disposable income, the energy efficiency of homes, critical dependence on electrical equipment for health reasons, age or other criteria.*

<sup>3</sup> Annual Report on Monitoring the Internal Energy Retail Markets and Customer Protection Measures in 2021, § 115-116, available: [https://www.acer.europa.eu/sites/default/files/documents/Publications/MMR\\_2021\\_Energy\\_Retail\\_Consumer\\_Protection\\_Volume.pdf](https://www.acer.europa.eu/sites/default/files/documents/Publications/MMR_2021_Energy_Retail_Consumer_Protection_Volume.pdf)

become the trigger for the weakest in society to be disconnected. Member States have a key role to play in designing adapted measures to financially support those customers. On the other hand, suppliers play an active role to advise their customers on practices to reduce their consumption and are invited to enhance and make wide promotion of such practices.

In light of these principles and inspired by good practices already rolled out in several Member States, we, BEUC, CEDEC, CEER, EER, E.DSO, EU DSO Entity Eurelectric, Eurogas, and GEODE – encourage companies, regulators and consumer organisations to promote - in the following areas with effect this winter the implementation of the following:

1. **Put in place bill deferrals using payment plans** based on clear criteria and conditions targeting, in particular, those consumers who have been disproportionately affected by high energy prices and especially those who are for the first time indebted to their supplier. Bill deferrals through payment plans could be limited to the energy component of the energy bills. Consumers seeking such support should provide a declaration of their financial situation or of their benefits entitlements to the supplier. It is important that all relevant actors, including social services, consumer associations, and suppliers provide consumers with needed support in this process.
2. **Prevent disconnection of consumers this winter.** The need for demand reductions should not push the weakest in society to disconnect. Several Member States already have a protective legal framework regarding disconnection in particular of vulnerable customers. Suppliers will<sup>4</sup> provide tailored solutions for customers based on their individual circumstances: they are encouraged to make full use of their possibilities to apply such solutions to the maximum possible extent as well as any possible alternative to disconnections until end March 2024, especially for customers facing for the first time difficulties with energy bills. As executive partners, Distribution System Operators will closely cooperate and support suppliers on the operational level. For energy poor and vulnerable customers, the role of national authorities to identify structural and urgent support measures to consumers remains essential. Support in implementing energy savings measures should also be put in place, as well as technical advice (energy audit) with the objective to help consumers improve their energy efficiency.
3. **Minimise unilateral contract changes this winter:** respect of contractual rules as well as EU and national legislation are the reference frameworks to regulate relationships between suppliers and customers. Consumers, however, especially vulnerable ones, are facing an unprecedented situation of high energy prices which put them in a situation of vulnerability, especially when being offered to change to variable price contracts. Although EU legislation allows suppliers to make contractual changes with due notice to consumers<sup>5</sup>, this practice has a huge impact, especially on vulnerable customers. For contracts still in force up to the end of March 2024,

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<sup>4</sup> According to Article 10(11) of the Electricity Directive: “..., suppliers shall provide household customers with adequate information on alternative measures to disconnection sufficiently in advance of any planned disconnection. Such alternative measures may refer to sources of support to avoid disconnection, prepayment systems, energy audits, energy consultancy services, alternative payment plans, debt management advice or disconnection moratoria and not constitute an extra cost to the customers facing disconnection”.

<sup>5</sup> According to Article 10(4) of the Electricity Directive: “Final customers shall be given adequate notice of any intention to modify contractual conditions and shall be informed about their right to terminate the contract when the notice is given. Suppliers shall notify their final customers, in a transparent and comprehensible manner, directly of any adjustment in the supply price and of the reasons and preconditions for the adjustment and its scope, at an appropriate time no later than two weeks, or no later than one month in the case of household customers, before the adjustment comes into effect. Member States shall ensure that final customers are free to terminate contracts if they do not accept the new contractual conditions or adjustments in the supply price notified to them by their supplier.”

suppliers are called,<sup>6</sup> upon to avoid unilateral changes of fixed price contracts which are unfavourable to consumers, before their expiration, particularly towards vulnerable consumers and those benefiting from bill deferral schemes.

4. **Provide clear information to every consumer, to help understand the situation and have a comprehensive overview of solutions at their disposal.** Comprehensive and transparent information, including on applicable energy prices as well as how their consumption is billed and advice on how to optimise their energy use, should be provided to consumers through a variety of communication channels, beyond the final bill. It is important that governments, regulators, industry, consumer bodies and authorities, at all levels, step up their efforts to inform consumers on the crisis, their energy consumption and the support mechanisms and solutions available, undertaking massive communication campaigns to this end. Furthermore, when preparing a new contract, the consumer should receive clear information on the terms of the contract as stipulated in Article 10 of the Electricity Directive. Consumers should be informed about their rights and contact details for where they can seek support in case of difficulties with payments.

**These principles and actions agreed by the Declarants at the EU level will be shared by all parties with their national members and counterparts, where relevant in order to encourage their effective implementation.**

**Signatories will reconvene to take stock of the situation in April 2024 and share information with examples and best practices of implementation of those guiding principles and actions implemented.**

**Furthermore, Commission services will continue to engage with Member States authorities, with a view to ensuring that One-Stop shop' or similar facilities at national or regional level foreseen by EU legislation are set up and made fully operational to provide information to consumers. Consumers should possibly be able to find in these facilities all the necessary information on energy efficiency and social support schemes, as well as other issues such as available debt advisory services.**

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<sup>6</sup> Where applicable, national law supersedes this declaration.

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