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# PROTECTION OF ENERGY CONSUMERS IN THE ECONOMIES OF EUROPEAN COUNTRIES

Theoretical  
article

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## **Abstract**

*The paper realizes an analysis of the position of energy consumers and presents some ways of influencing the behaviour of the energy consumers. The paper dealt also with the issue of the protection of domestic electricity and gas consumer which aims, in particular, its rights to receive energy at any time, in safe conditions and at affordable prices.*

## 1. Introduction

The energy sector offers a special market relationship between consumers and their energy providers. If, in the case of producers, traders, service providers from other sectors, the increasing responsibility of companies to consumers is manifested mainly as a result of fierce competition, for this sector, where competition is weak or nonexistent, the situation is quite different. An important role belongs to the governors and accountability measures in their relationship with customers, as well as to public and private organizations in the field of consumer's protection.

In this regard, the paper deals with the issue of domestic energy consumer protection in its contractual relations with suppliers. The aim was, also, to know the information level of the consumers about the rights they have as consumers of energy and the options for selection the tariffs and suppliers, as well as their perceptions of the suppliers' offers, charging systems, billing practices, handling of complaints by energy suppliers.

In particular, the paper deals with the challenges of energy consumers in Romania, focusing on the issue of protection of vulnerable consumers, an area less investigated compared to consumer of goods.

## 2. Corporate responsibility versus protection of rights of energy consumers

In their relationship with the consumers, companies have a series of responsibilities. These have to consider in the design of their strategies the need to commercialize products and services that do not affect the safety and health of the consumers. In this regard, some types of products and services that present risks for the safety and health of the consumers are even banned in member states of the EU.

It is also necessary that providers consider implementing policies to protect consumers against the incidence of hazards that can affect not only the health, safety, but also their social and economic welfare

Companies must also ensure the security and confidentiality of private information, be it online transactions, or any kind of contract with consumers. Owning detailed information about consumers and their use increases corporate responsibility.

On the other side, consumers also should not give data as personal identification number, series and number of identity card, birth date and place of birth, the numbers of their cards, of their bank accounts and other personal data. But, unfortunately, the relative large number of commercial relationships and contracts that require at least a part of these types of information makes difficult the identification, in theft cases, where the information leakage was and who did not keep the confidentiality of some data.

It also required insuring the consumer information on products and services and even providing conditions for their education in order to understand the rights and obligations. Establishment of effective procedures for handling of complaints and after sales support is not only an obligation, a corporate responsibility to consumers, but also a way to be closer to consumers.

There is a benefit for companies to encourage the consumers to claim when they are facing problems with the purchased products or services because, this way, the companies can easier identify possible shortcomings and take measures in order to avoid them and to improve the performed services. For this, they have to offer clear information to consumers about the means for doing these complaints.

The companies have to:

- support the expenses determined by the repairing or replacement of out of order products, as well the

restitution of the value of those goods;

- compensate the consumers in the case when the repairing, replacement and withdrawal of out of order products can't be realized in a reasonable period of time;
- offer to consumers all the needed information for the use of the products and about the characteristics of services, translated in the official language in that country, including some risks in consumption and use;
- inform the consumers, in the case of financial services, about their rights and obligations;
- use of the sure, tested, certified produces and procedures in provided services;
- present to consumers of services the tariffs, period, qualitative category of the service, warranty and post-warranty period.

Companies need to provide also an effective, clear and transparent system for processing customers' complaints.

The most common complaints are made personal. Also, currently, in many companies, are predominant those made by telephone. Complaints made in writing may take the form of letters, e-mails or can be sent by fax. At the company level should be a set of procedures for solving different types of problems. In addition, staff must be trained to acquire skills necessary for proper treatment of complaints within the lowest possible time.

Last but not least, corporate responsibility includes the area of environmental protection, requiring them to establish sustainable development strategies. The environmental problem forces companies to adapt the technological processes to meet the requirements of environmental protection.

National bodies for protection of consumers have the role of ensuring compliance with consumer's rights: the

right to be informed, to be educated in the field of rights and responsibilities and to be protected against incorrect labelling or advertising of certain products or services dangerous for their health and lives, as well as for the integrity of their property. In addition to measures for prevention and combating of abusive practices, consumer protection authority takes also action to remedy them.

Consumers should have access to basic goods and services, being able to choose from a range of products and services and to get a fair solving for claims, including compensations.

But, unfortunately, a number of other unfair practices can be found in commercial practice:

- generating confusion or misunderstanding of the certification of goods or services;
- presentation of some services as being of another quality level than the real one;
- induction of wrong ideas about the existence of some ingredients that the product doesn't possess or some properties or benefits that the service or the product doesn't produce.

It is also an unfair practice in relation with customers exerting pressure for immediate signing of the contract.

In Romania, through the Consumer Protection Act, operators are prohibited to:

- market services that are not safe or that do not meet the declared or prescribed characteristics;
- conditional sale of a product or service purchase of services;
- provide a service without the existence of prior orders;
- realize misleading advertising, subliminal, including any kind of discrimination, prejudice individuals, their security, respect for human dignity and public morality;
- import, produce or sell counterfeit products or have improper security settings;

- sell durable products without a warranty certificate or instructions for installation, use and maintenance [13].

The state bodies, delegated to protect consumers, identify the consumers' rights and obligations arising from trade and non-trade relations. Based on these, they analyze possible abuses or violations of their rights and establish mechanisms for consumer rights protection. These bodies may use a variety of investigative tools and ways to protect consumers against abuses, fraud, deception or other unfair trading practices.

More than these, in European Union are working European centres for information of consumers ECC-net in order to provide information and to respond to consumer complaints.

In the energy field, in the EU Member States, public authorities and sector regulators are those that can combat these crimes. At EU level, Directive 2005/29/EC [5] on unfair commercial practices protect consumer rights in the standard contracts, including also provisions on energy-efficiency and energy labelling.

In order to protect economic interests of consumers and physical integrity, health, safety and their rights, the state body with responsibility for their protection intervenes through a series of steps in this direction. Thus, there are supported consumers to organize them in order to make known their views and gain access to information on the characteristics of products and services.

Also, it initiates and participates in consumer's education, international cooperation in the field. An example in this respect is the Romanian competition on consumer protection issues "Choose! It is your right," organized by the Ministry of Education, Youth and Sports and the National Authority for Consumer Protection - Consumer Protection Association Romania, which started in 2000 and aimed at young consumers education and awareness of their legal rights [1]. The direct target

group was selected from the most vulnerable groups of population, and most receptive to education, pupils in primary and secondary education, and indirectly their families were targeted, but also teachers and the community.

A study by ERGEG which aimed to identify best practices for pre-contractual information CPI for energy from countries that have opened the energy market led to the preparation of a guide for the energy sector regulators [11].

Consumers' information in the Member States is provided by the suppliers of this service, but most of them also have a non-commercial consumer information service, administered either by the regulator or by a union formed by the regulator, consumer associations and mediation services for consumers. Most of these types of information are provided on websites, but they can be accessed by mail, telephone, fax or e-mail.

Among the organizations that can treat demands for energy of household consumers can be, besides the national energy regulator of Economy and Energy Ministry, consumer associations, regional authorities or a public mediation service.

Within the category of materials that provide general information are sets of frequently asked questions (FAQ), leaflets accompanying invoices from suppliers, consumer guides and reliable data, multi-channel advertising campaigns undertaken by regulators, information notes issued by the regulatory authorities and provided by suppliers before signing the contract.

Besides them, there are also materials that offer specific information regarding the suppliers, in order to facilitate the selection of the provider. These can be price comparators, lists of providers, or statistical data on quality of the services and received complaints, in the form of some rates or indicators. As rates, usually, there can be used annual numbers of received letters, phone calls or e-mails, as well as the staff number of non-

commercial information services per number of final energy users.

Using these means, there is provided information about the various providers, how the consumers can reduce consumption, their monthly bills, and procedures that must follow consumers when they want to change their address or their providers.

Consumer rights are not fully harmonized at EU level. There are many initiatives by the European Commission in support of the consumers such as Price Transparency Working Group, Vulnerable Consumer Working Group, and European Consumer Consultative Group [2]. There are also online portals and information to educate consumers and provide tips for increasing energy efficiency.

In order to promote sustainable consumption mode, governments can introduce performance standards in housing insulation, and energy efficiency for appliances.

In this regard, for example, the EU Intelligent Energy Europe IEE program supports actions to inform and educate consumers in order to reduce energy consumption. The 'Consumer Information on Electricity' CIE project, conducted on behalf of the European Commission aimed to assess the options for consumer information guides electricity to support Member States in meeting the information requirements of consumers.

Taking into account the protection of energy consumers, the most common violations of the rights of consumers are perceived by consumers as those that adversely affect the economic welfare of consumers.

As a result of the distribution of a questionnaire in the north of Romania in order to reveal the awareness of Romanian energy consumers on the rights they have, the customer satisfaction and their relationship with suppliers, there were highlighted the most important reasons for complaints. In the last 12 months, prevailed, among the problems that the

consumers had to face were the disruptions in energy supply, damages, incorrect billing, payment problems, violations of the legislation in the relationship with their providers, problems regarding the connection mode of electrical installations to the power grid.

Billing of energy consumption can be achieved on the basis of meter readings or estimates. But, the practices based on estimates can sometimes cause disadvantages for the consumer, paying more than he had actually consumed. In the case of quarterly billing, for significant consumptions, payment of higher value bills will be felt more strongly in the family budget.

In fact, the most common complaints relate to incorrect and non-transparent billing. Third Energy Package (2009) states that energy bills have to be drafted in a transparent manner and to be issued at a rate to enable the consumer to know their consumption and to take measures to reduce them. These measures are aimed at reducing energy bills, while energy prices are increasingly higher. This reduces the pressure on the family budget. In this respect, it is taken into account the reduction target of a reference indicator, namely, the rate of energy expenses in the total expenditure of a family.

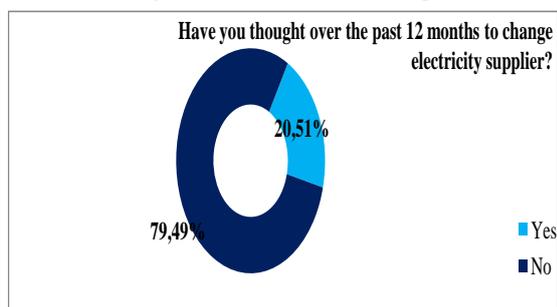
For example, in USA, based on the regulations of Michigan Public Service Commission [4], the consumer of services has the right to pay the bill by instalments if this has a financial emergency and in case of a medical emergency, the supply of the utility isn't interrupted. In the case of the disconnection of the utility, the provider has to warn the consumer in writing 10 days before disconnection.

Since 1 July 2007 EU consumers have the right to choose their electricity and natural gas providers, but, according to a study commissioned by the EU [15], there are some exceptions. In Greece, Malta and Cyprus consumers cannot select the supplier, due to the fact that there are monopolies in electricity. This right is

limited, also, in other countries, namely Lithuania, Bulgaria, Latvia and Romania, either because of the lack of supply alternatives for specific customers or because of regional monopolies.

When it comes to change the energy supplier, a third of consumers who have this option consider difficult this changing process.

In Romania, in a study realized at the end of the 2012, only 20.51 % thought to change their electricity provider, but more than half of them didn't know that they cannot really benefit from this right.



In support of the energy consumers there are also measures for appliance labelling, which gives them an opportunity to know the running costs of these devices. Directive 2010/30/EU introduced the concept of "product with energy impact". In addition to the label, the suppliers must also provide a statement as a standard table of information about the product [8].

Also, measures designed to promote investment in energy infrastructure and increase energy security support the consumers by increasing the quality of services. At European level, New Energy Strategy [12] emphasizes the role of energy consumers.

In order to increase energy efficiency, an important role has the household consumers whose consumption share is growing in many economies. This required the influence, the change of behaviour of domestic energy consumer regarding the manner they use it. In this respect, consumer information is essential. Therefore, it is necessary to present possibilities, solutions to increase energy efficiency. One of the ways is to organize

public awareness campaigns by providing measures to increase energy efficiency. Dissemination can be done through media, TV and radio commercials, posters, magazines flyers, conferences, public debates.

Change of consumer behaviour can be realized also by the state bodies through institutional rules, regulations and different kinds of standards or incentive structures, including subsidies, taxes or penalties. For example, punishment for use of incandescent light-bulbs or reward for buying fluorescent bulbs can be more effective than offering information about the difference in their impact on the environment. Raising prices for less sustainable products, applying taxes and charge for less energy efficient products or services can be, also, more effective in changing consumer behaviour. Taxes and charges can be even more efficient and effective than regulations in energy consumption.

### 3. Conclusions

In energy field, in member states of European Union, both public authorities operating in consumer protection and energy regulatory bodies take measures to protect consumers against unfair trading practices. These countries have transposed, also, the EU legislation in their national legislation, in the field of energy, as well as the consumer protection. Unfortunately, although since 2007 EU consumers have the right to choose and to change their energy providers, in fact, in some countries, such as Romania, consumers cannot benefit from this right because each of the energy suppliers operates without competition in a distinct region.

Among the European countries, twelve of them do not have public comparators for electricity and gas prices. In four EU countries the National Energy Regulator is the only body in charge to deal with disputes, the consumers having no alternative procedures for dispute resolution.

More than this, an important part regarding consumers, in some countries, is that they are not aware of their rights, such as to be informed about general conditions of the energy contract, tariffs or the right to receive compensations for damages caused by the provider.

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