

Regulatory Framework on Dynamic Pricing

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Regulatory Framework of Dynamic Pricing Contracts

Development of regulatory framework on Dynamic Price Contracts based on:

- Directive (EU) 2019/944
- Law 4001/2011 Article 48
- CEER → Recommendations on Dynamic Price Implementation
- European Practice

Dynamic Pricing



- Smart Meters are required to enable dynamic pricing contracts
- Pricing fluctuates during the day
- With Dynamic Pricing, consumers benefit from consuming during low-cost hours
- No contract termination fees



Directive (EU) 2019/944, Article 2.15

Dynamic Price Contracts

Electricity Supply Contracts between Suppliers and Consumers reflecting price fluctuations in spot markets, including Day-Ahead (DAM) and Intraday markets, with intervals at least matching the market clearing frequency.

✗ Stable Price

✗ Time of Use (Peak/off peak)

✓ Variable pricing that changes every 15 or 30 minutes, connected with the national wholesale markets

Dynamic Pricing – Benefits and Prerequisites

Benefits

- Enables demand - response by adjusting consumption
- Enables consumption management as a means to save on energy costs
- Provides the ability to avoid steep price increases during peak hours. Peak hour prices would have been indirectly paid in case of a fixed-rate contract

Prerequisites

- The installation of a smart meter is required to accurately monitor consumption
- Smart Meters need to be supported by a smart consumption measuring system
- Development of applications that inform Consumers on next day prices, in order to adjust consumption.

Dynamic Pricing in a Nutshell

- Dynamic price contracts could be beneficial for the consumer as they enable those who can manage and adjust their consumption, in response to price signals, to save money on their electricity bill.
- Consumers can shift their consumption to avoid consuming during peak price hours.
- Dynamic contracts may enable customers to participate in demand response, either individually or through aggregation.
- The installation of Smart Meters and the development of smart applications are a prerequisite.

Pre-contractual consumer information sharing

1. Prior to entering into a Dynamic Pricing contract, the Supplier must inform the Consumer about the **opportunities, costs and risks** associated with such a contract. Specifically, the Supplier must obtain the Consumer's consent to the terms and conditions of dynamic electricity pricing.
2. The Supplier is also required to notify the Consumer that the price of a dynamic pricing supply contract is subject to a wide range of fluctuations throughout the year, depending on wholesale price signals.

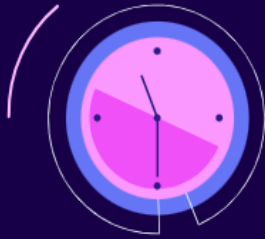
Pre-contractual consumer information sharing

3. The Supplier must be able to estimate the price that a Consumer would be required to pay, based on previous year consumption levels. It must be clear to the Consumer however, that the Final Supply Price may exceed these estimates.

4. If there are no available real consumption data, the Supplier must provide the Consumer with access to cost projection tools, based on:
 - Consumption
 - Number of people in the household
 - Available equipment

Informing consumers about the electricity product

How does Agile Octopus work?



Between 4-8pm every day (usually nearer 4pm), your unit rates are updated for the next 24 hours, based on the wholesale market rates.



As you use electricity we'll use the half-hourly data from your smart meter to calculate your charges.



A daily standing charge covers costs including metering, distribution, and other fixed costs.

Informing consumers on dynamic tariff product

How does the



octopusenergy

Agile Tariff work?

e (k)



0:05 / 1:13



Consumer Consent to transition to Dynamic Pricing model

1. The Supplier must ensure full consent from the Consumer before they sign into a dynamic pricing model.
2. Signing a dynamic pricing contract is exclusively done in writing, either through physical documents, or secure online platforms. (not orally through the telephone).
3. Active dynamic pricing contracts are not eligible to any alterations whatsoever, without the written consent of the consumer.

Supply Contract / general and Special Terms & Conditions

1. Electricity Suppliers must provide information on the Terms & Conditions to the Consumer, prior to signing the contract, even when third party intermediaries are involved.
2. The Supplier must provide the Consumer with a clear and easily accessible summary of the main terms of the contract.
3. The Supplier is required to make the supply contract publicly available online, as well as to post a summary of the contract terms on its website.
4. If the supply contract includes a term regarding the transfer of the End-Consumer to a new Dynamic Pricing Contract at the end of their current one, this must be stated on the Consumption Bill along with the date of the transfer.

Dynamic Tariff Design

According to CEER, a dynamic tariff consists of two parts:

- A fixed monthly amount (€), independent of the customer's consumption (standing price)
- A final Supply price (€/kWh), which depends on wholesale market price fluctuations and includes operational costs and profit margin.

Considering the significant potential price volatility to which the consumer will be exposed without upper or lower limits, in cases of particularly severe price spikes, suppliers could alternatively offer contracts with more limited variability (i.e. Ceiling and Floor prices)

Supplier Obligations regarding Price Disclosure and Provision of Information to Consumers

Information regarding the Reference Price shall be accessible through a digital platform on the Supplier's website, through which Final Consumers receive information.

- This platform provides all the necessary information and must be compatible with mobile devices, allowing the consumer to select the most suitable Supplier based on the energy management equipment they own.
- The Reference Price will be easily accessible to the consumer via the Supplier's website in advance and free of charge.

Supplier Obligations regarding Price Disclosure and Provision of Information to Consumers

Indicative example of customer pre-notification regarding price fluctuations for the upcoming days.

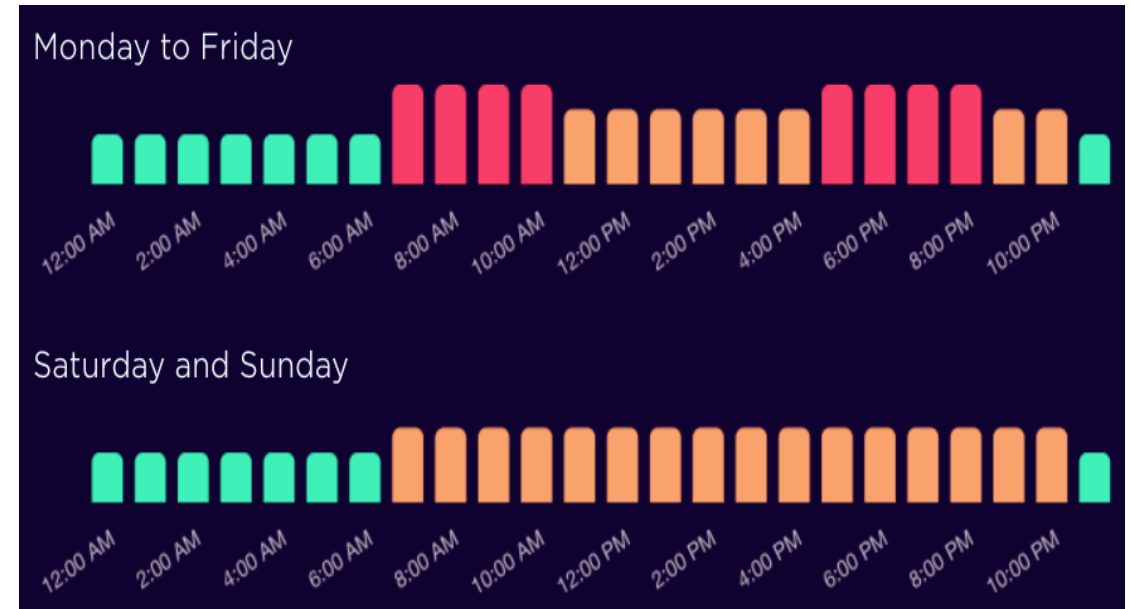
**Sourced from the website of Octopus Energy (UK).*

Where:

Red color: Indicates higher charging rates for specific hours (Peak rate),

Orange color: Indicates lower charging rates for those hours (Off-peak rate),

Green color: Night charging with even lower rates (Night rate).



Supplier Obligations regarding Price Disclosure and Provision of Information to Consumers

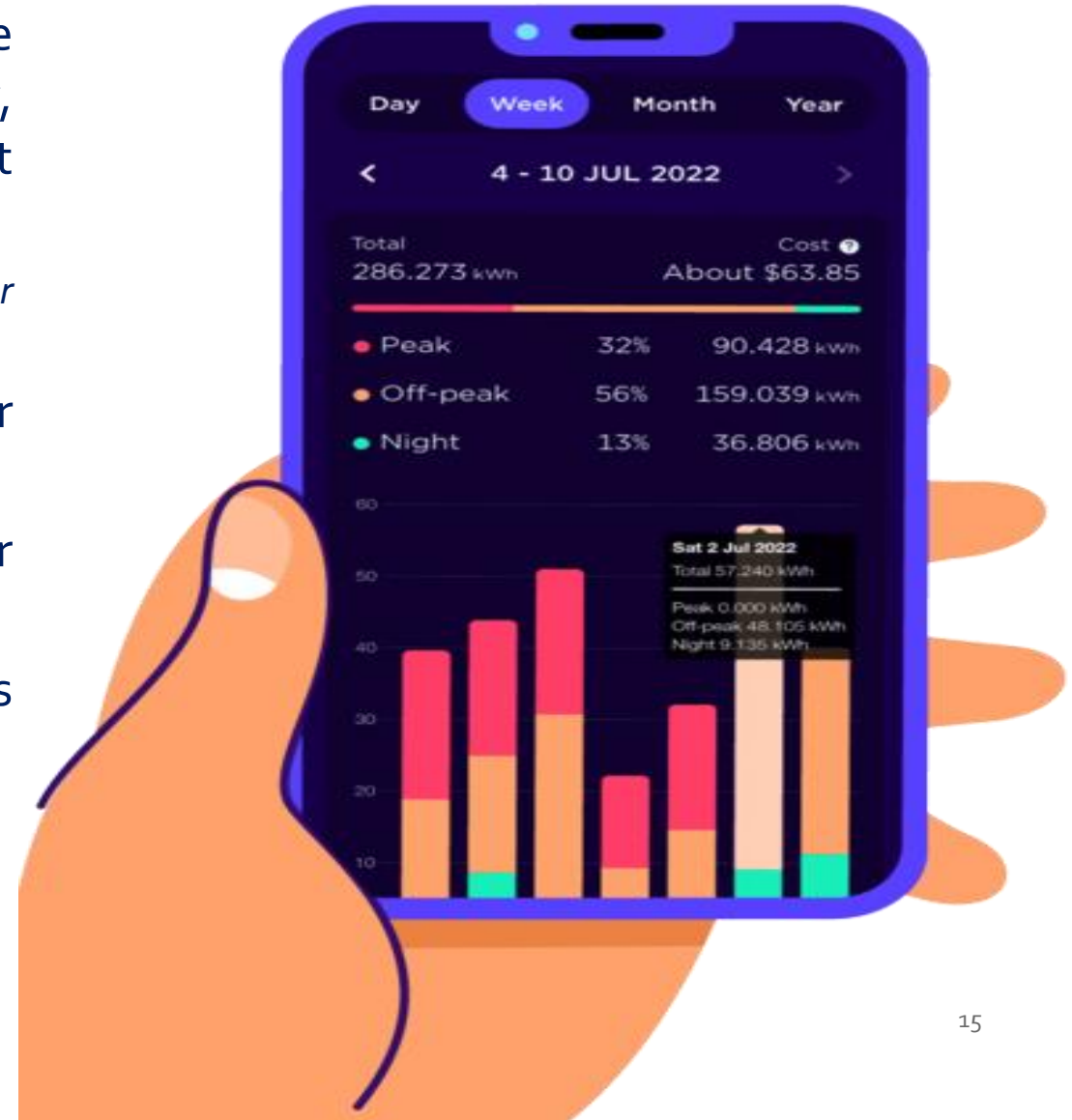
Indicative example of a website informing the customer about their total daily, weekly, monthly, and annual consumption, as well as the different rates at which the consumption occurred.

**Sourced from the website of Octopus Energy (UK). The color coding remains the same:*

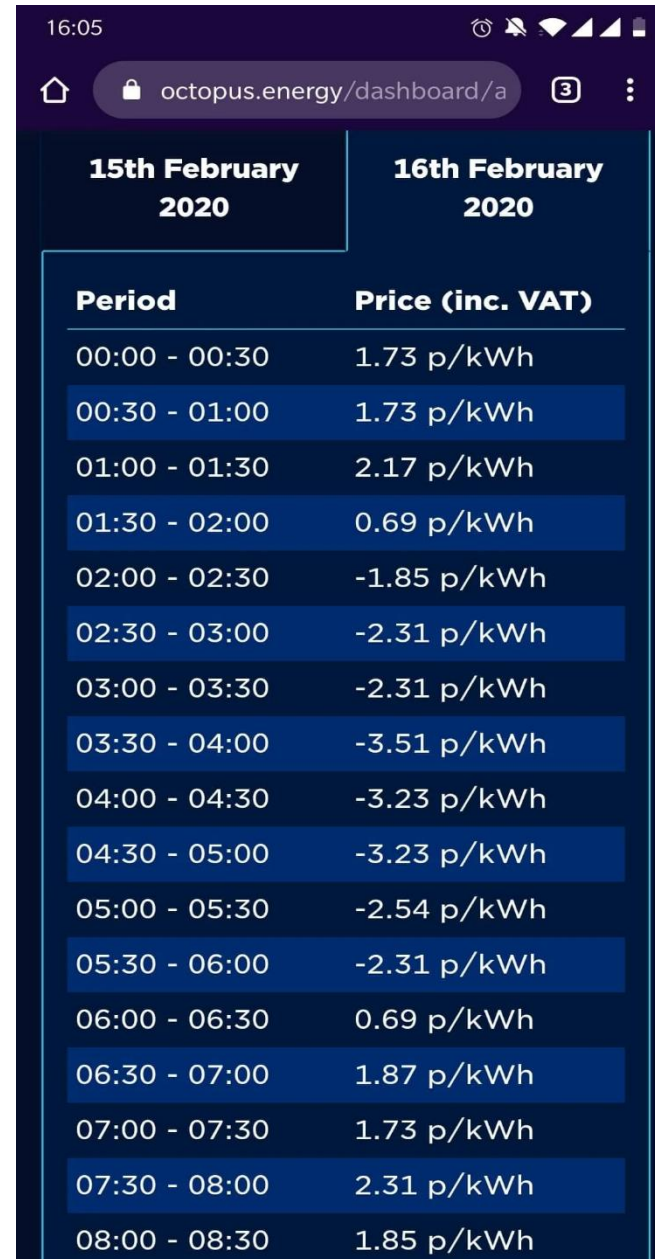
Red color: Indicates higher charging rates for specific hours (Peak rate),

Orange color: Indicates lower charging rates for those hours (Off-peak rate),

Green color: Night charging with even lower rates (Night rate).



Information on dynamic pricing for the next day

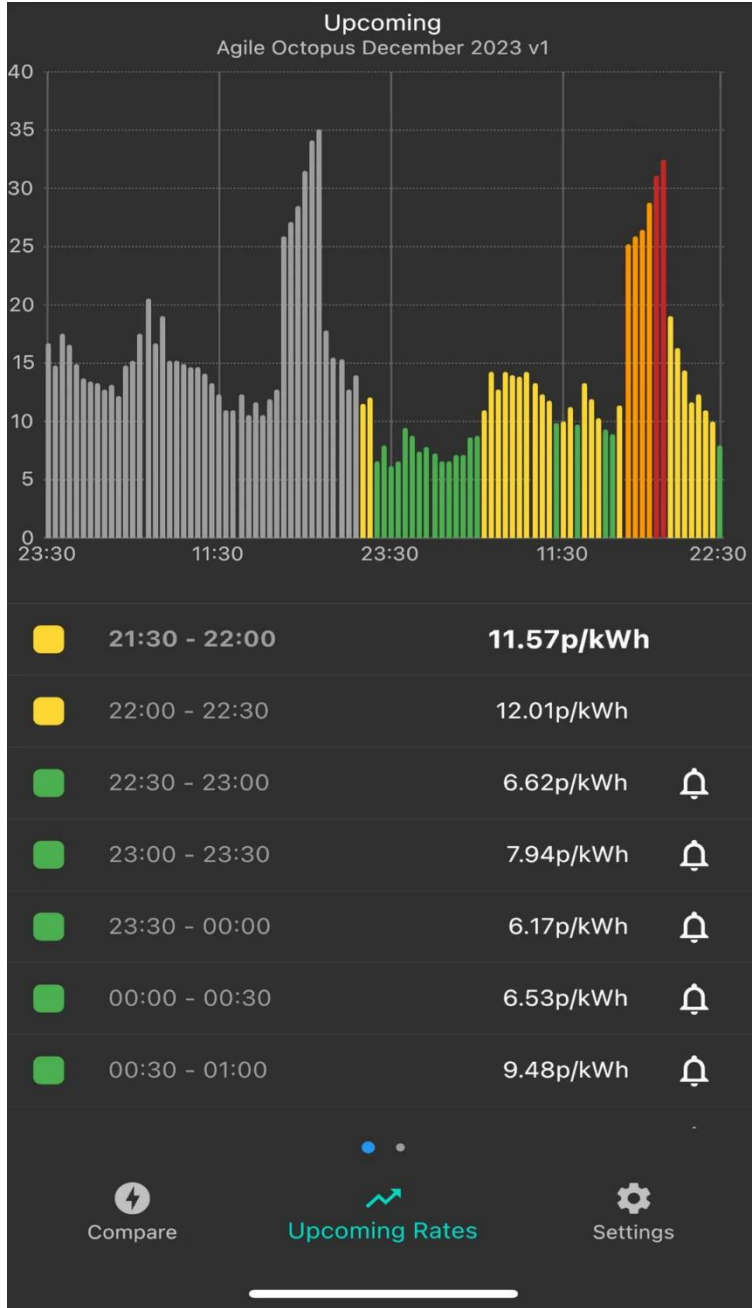


16:05 octopus.energy/dashboard/a

15th February 2020 16th February 2020

Period	Price (inc. VAT)
00:00 - 00:30	1.73 p/kWh
00:30 - 01:00	1.73 p/kWh
01:00 - 01:30	2.17 p/kWh
01:30 - 02:00	0.69 p/kWh
02:00 - 02:30	-1.85 p/kWh
02:30 - 03:00	-2.31 p/kWh
03:00 - 03:30	-2.31 p/kWh
03:30 - 04:00	-3.51 p/kWh
04:00 - 04:30	-3.23 p/kWh
04:30 - 05:00	-3.23 p/kWh
05:00 - 05:30	-2.54 p/kWh
05:30 - 06:00	-2.31 p/kWh
06:00 - 06:30	0.69 p/kWh
06:30 - 07:00	1.87 p/kWh
07:00 - 07:30	1.73 p/kWh
07:30 - 08:00	2.31 p/kWh
08:00 - 08:30	1.85 p/kWh

Dynamic Pricing



Billing and Billing Information

1. Dynamic Tariff consumption bills are issued free of charge at least once a month.

It should be noted that accurate billing information based on actual consumption should be provided. This information can also be made available online and can be updated as frequently as metering device and/or system capacity allows.

2. Billing is based on the measured actual consumption according to the metering data provided by the DSO.
3. Billing is considered final

Billing and Billing Information

1. The consumption bill contains at least the following pricing information:
 - (a) A fixed monthly amount,
 - (b) The Final Supply Price per billing period (average price weighted by consumption),
 - (c) Electricity consumption per billing period.

Additionally, the Consumption Bill includes:

- (a) Graphical comparisons between the consumer's electricity consumption during the billing period and consumption during the same period of the previous year.
- (b) Contact information for advice on available energy efficiency measures.

Billing and Billing Information

Indicative example of an electronic billing statement containing the detailed breakdown of charges.

**Sourced from the website of Octopus Energy (UK).*

Specifically, at the top, the following are displayed:
The price per kilowatt-hour, the consumption, and the daily cost. In the chart:

- A) The cost of the Wholesale Market,
- B) Social and Environmental costs,
- C) Distribution network charges,
- D) VAT.



Billing and Billing Information

Today's cost

COST £1.38

< THIS MONTH >

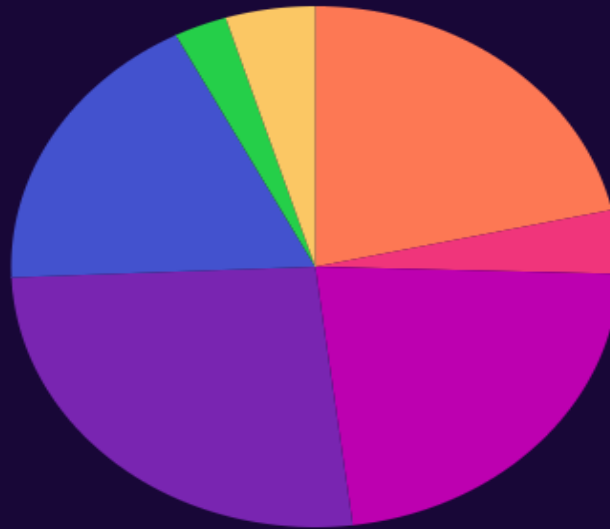
£16.49 cost over the current month

Cost breakdown

Unit price
11.77p / kWh

Usage
10.1 kWh

Standing charge
18.49p / day



- Wholesale cost (2.53p)
- Line loss & shaping (0.46p)
- Social & environmental obligations (2.66p)
- Local distribution (3.10p)
- National transmission (2.13p)
- Admin, financing & margin (0.33p)
- VAT (0.56p)



(8) The role of the Regulatory Authority

1. RAAEY monitors market developments, assesses the risks associated with the offering of new products and services, and addresses abusive practices by suppliers.
2. For at least a decade after Dynamic Price Supply Contracts become available, RAAEY publishes an annual report on the key developments in dynamic pricing contracts.

The report includes an overview of market offerings, the impact on consumer bills, and, more specifically, the level of price volatility. In order for RAAEY to fulfill its duties, suppliers are required to submit all data related to Dynamic Price products on a monthly basis, especially the final prices of these products.



ΡΑΔΕΥ

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THANK YOU

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