Leaving No One Behind: Supplier Of Last Resort For Consumers Without A Contract

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What is the Supplier of Last Resort?

- Outlined in the Electricity Directive's[1] Article 27.1, the supplier of last resort is a mechanism where Member States can ensure a level of universal service of electricity
- The wording of the legislation leaves discretion to the Member States on how they form this mechanism and whether it includes only household customers or is also extended to SMEs
- In some Member States, this function falls to an incumbent supplier, and in others it is solely this function of the system operator to continue providing the supply until a new supplier is chosen / assigned to the customer

1: Directive (EU) 2019/944 of the European Parliament and of the Council of 5 June 2019 on common rules for the internal market for electricity and amending Directive 2012/27/EU (recast)

What is the Supplier of Last Resort?

- Given this flexibility, there is some diversity as to when the Supplier of Last Resort mechanism is activated or can be applied
- In most of the Member States, this mechanism is activated when a supplier exits the market and their customers need to be provided with service until they can be transferred to a new supplier of their choice
- And in some Member States, these suppliers also act as a last resort supplier for customers who have faced insolvency in the past or have a poor credit profile

How it Functions in the MS – Examples from Vattenfall Operations

- Sweden
  - In Sweden the DSO is responsible for appointing a supplier of last resort, who should supply electricity to the customers at a reasonable price.
  - Customers end up with the supplier of last resort if they lose their current electricity supplier, or if the current supplier cancels the contract e.g., due to unpaid bills.
  - In addition, customers who move into a new home without signing an electricity supply contract, automatically get a contract with the supplier of last resort.
  - No regulation on type of contract, both fixed price and monthly flexible products are used.
  - Customers have the right to switch from the supplier of last resort with a notice period of 14 days.
  - The supplier of last resort has the right to require collateral payment from all customers. If the customer cannot pay the collateral, the customer can turn to the social authorities to get assistance for payment of their energy bills.

How it Functions in the MS – Examples from Vattenfall Operations

- Finland
  - In Finland the DSO is obliged to continue the supply of electricity to customers who have lost their supplier for 3 weeks.
  - The customers are informed that they should choose another supplier. If they have not made a choice within the period of 3 weeks, they will be transferred to the supplier who has the largest share of customers within that distribution grid area.
  - Very few customers usually end up with the SOLR, as most of them actively choose another supplier ahead of the 3 week deadline

How it Functions in MS – Examples from Vattenfall operations

- Germany
  - Vattenfall is supplier of last resort for electricity in Berlin and Hamburg
  - In both cities, Vattenfall is a round table member to protect vulnerable customers from higher energy prices. In Berlin the round table is organised under the patronage of the Ministry of Energy and in Hamburg under the patronage of the State Secretary for Consumer Protection.
  - Vattenfall offers a special tariff for vulnerable customers. The tariff is without a minimum contract period and is aimed at those electricity customers in Berlin and Hamburg that we currently serve as supplier of the last resort.

Case Study – Czech Example

- In Fall of 2021, Bohemia Energy, the Czech Republic's largest alternative energy supplier (900.000 customers in electricity and gas), went bankrupt, citing the tripling of energy prices as the main driver for their exit.
- Czech law required that when a supplier exits, all of their customers are transferred to the Supplier of Last Resort for up to 6 months to provide continuous supply while the customer chooses their new supplier. Under previous energy law, customers fell into unauthorised supply if they didn't choose a new supplier within the 6 month period.
- This situation showed that there are many customers who cannot be contacted within the 6 month period. Therefore, the law was changed, and customers are now automatically transferred into indefinite contracts after the 3 month SoLR period. They may switch supplier anytime under the indefinite contract for free, with a standard notice period, but they enjoy better prices & monthly fees when they choose their own supplier in comparison to price of SoLR service.