



FROM THE SECOND ENERGY LEGISLATIVE PACKAGE TO THE ENERGY UNION. SENTIMENTS ON THE ITALIAN RETAIL ELECTRICITY MARKET

Mar 2015

Introduction

The Second Energy Legislative Package (Directive 2003/54/EC) established the full liberalization of retail electricity markets for European industrial customers and households starting from, respectively, 2004 and 2007. Despite more than 10 years passed since the coming into force of the Directive, a significant heterogeneity still characterizes retail power markets across Member States. This heterogeneity has significantly hindered the creation of an effective internal market.

This concern, clearly stated in the Market Monitoring Report 2014 by ACER¹ (Agency for the Cooperation of Energy Regulators), also emerges from the recent framework strategy on the Energy Union Package²: *“the retail market is not functioning properly. Many household consumers have too little choice of energy suppliers and too little control over their energy costs”* (p. 3).

As highlighted by the Monitoring Report on Retail Power and Gas Markets³ of the Italian Authority for Electricity, Gas and Water, Italy is among those countries facing important challenges

in accomplishing the ambitious goals set by the European Commission.

Thus, the regulation of the retail power sector has become a key priority in the agenda of the Italian Regulator. Some recent consultation documents of the Regulatory Authority address important issues, such as the regulation of distribution activity, the improvement of switching procedures, the cost-reflectiveness and transparency of electricity tariffs, and customers' insolvency.

In addition, by acknowledging the recommendation of ACER, a recent law proposal⁴ of the Ministry for Economic Development intends to bring a significant change in the current design of the Italian retail power market: the suppression of the standard offer regime to accomplish a full liberalization of the retail electricity market.

To address and analyze the current issues in the political and regulatory agenda, with reference to regulation and competition of the Italian retail power market, on February 12th, Lear held its first [LearTalk](#) *“Ten years since the Second Energy Legislative Package: which perspectives for the Italian retail electricity market”*. Together with scholars, market operators and institutions, Lear

¹ ACER, 2014. *Market Monitoring Report*. Available at: <http://goo.gl/pgk40H>.

² European Commission, 2015. *A Framework Strategy for a Resilient Energy Union with a Forward-Looking Climate Change Policy*. Available at: <http://goo.gl/w1HyJS>.

³ Autorità per l'Energia Elettrica, il Gas e il Sistema Idrico, 2015. *Monitoraggio retail. Rapporto annuale 2012 e 2013*. Available at: <http://goo.gl/Kdxpoe>.

⁴ Ministero per lo Sviluppo Economico, 2015. *Disegno di legge concorrenza*. Available at: <http://goo.gl/RyWiDU>.

explored and discussed the most up to date topics fostering the debate on the regulatory and competitive arrangements of the Italian retail power market.

The following speakers attended the LearTalk: **Alberto Biancardi** (Commissioner, *Italian Regulatory Authority for Electricity, Gas, and Water*); **Eugenio Bruti Liberati** (Professor, *University of Eastern Piedmont*); **Paolo Vigevano** (CEO, *Acquirente Unico*); **Valeria Amendola** (Head of Energy and Industry Directorate, *Italian Antitrust Authority*); **Massimo Bello** (Vice President, *Tremagi*); **Carlo Cambini** (Professor, *Polytechnic University of Turin*); **Paolo Carta** (Head of Regulatory Affairs, *ACEA*); **Michele Governatori** (President, *Aiget*); **Francesca Valente** (Head of Regulatory Affairs and Antitrust Practices, *ENEL*).

In the following, together with a brief overview of the themes debated, we present and summarize the main positions expressed by the speakers during the LearTalk.

Overview of the Italian retail electricity market⁵

At present, two different segments characterize the Italian retail electricity market.

A first segment includes those customers who purchase electricity under a standard offer regime in the so-called “*Maggior Tutela*” market. Under the “*Maggior Tutela*” arrangement, a single buyer (called “*Acquirente Unico*”, AU henceforth) is in charge of procuring electricity on the wholesale market. The Italian Regulator sets the price at which AU resells the procured electricity to standard offer retailers, at the beginning of each quarter. This price includes the procurement costs borne by the single buyer as well as the commercialization costs of a representative market supplier, as estimated by the Authority. The standard offer regime may encompass two different classes of customers:

- households;
- small enterprises with less than 50 employees and an annual turnover lower than 10 million.

A second segment involves those customers who, after the liberalization of the retail segment, actively engage in the market and purchase

electricity at price conditions directly negotiated with retailers. For the sake of simplicity, we will refer to this segment as “free market”. These customers are represented by:

- households and small enterprises who switched from the “*Maggior Tutela*” market to the free market;
- medium and large enterprises.

According to the Annual Report of the Italian Regulatory Authority for Electricity, Gas, and Water⁶, at present, 136 companies supply customers under the standard offer tariff and 386 serve customers in the free market.

A relevant degree of concentration and a mild entry rate characterize the Italian retail electricity market. According to the Market Monitoring Report of ACER, the average yearly percentage of net new suppliers in the Italian retail power market has been equal to about 25%, in 2013, with respect to a European average value of about 35%.

In 2013, households represented the most relevant customer segment, accounting for 23% of the total volume of electricity supplied and about 80% of the total delivery points supplied (equal to 36.9 million).

According to the mentioned Monitoring Report of the Italian Regulator, the two retail segments have different level of competitive development, as shown by both their different market structure and their customers’ switching rate.

The free market segment concerning medium and large enterprises experiences a low degree of concentration (the main market operator holds a market share, in terms of electricity sold, below 10%), and a high switching rate (27.3% in 2013).

For households, the situation appears quite different. In 2013, 75% of households has been supplied under the “*Maggior Tutela*” regime. Only 25% of households (with respect to 21% in 2012) has entered the free market. In addition, among households who switched from the standard offer to the free market regime, 60% purchases electricity from a retailer linked to the company that previously supplied them under the “*Maggior Tutela*” regime.

Market concentration also appears to be significant in this segment. The first market

⁵ In the following, we will consider as *small enterprises* the category of low-voltage non-domestic customers (other uses different than public lighting). With the label *medium and large*

enterprises we will refer to the category of medium-voltage customers.

⁶ Autorità per l’Energia Elettrica, il Gas e il Sistema Idrico, 2014. *Relazione annuale 2014*. Available at: <http://goo.gl/PEkoZw>.

operator holds a market share equal to 76% of the total households' supply (62% with respect to the "Maggior Tutela" segment, and 14% with reference to the free market).

The switching rate for households has been equal to 7.6%, in 2013, above the European average of 5.6%. Moreover, the rate of exit of households from the standard offer regime has been equal to 4.9%. To this respect, households seem to be more active than small enterprises, whose exit rate from the standard offer regime has been 4.2%, in 2013.

Due to a different bargaining power, profile risk, and amount of transaction costs faced by small enterprises, the latter show a switching rate greater than households do and equal to 16%. In addition, the concentration degree of this segment is lower as the main market operator holds a market share of about 26% in terms of volumes of electricity sold to small enterprises in the "Maggior Tutela" market and of about 18% in the free market.

Retail price regulation and its implications for competition

The Italian standard offer cannot be considered, strictly speaking, a regulated price, because it mostly reflect the market conditions faced by AU in purchasing electricity on the wholesale market. However, ACER expressed its worries about the possible anti-competitive effects of the Italian standard offer regime: "the standard offer prices may still be a focal point for suppliers and be considered by consumers as a 'safer' option than competing offers, including those of new entrants. In this respect, standard offer prices, while not necessarily distorting competition between suppliers, may still reduce the propensity of consumers to switch towards better offers" (p. 88, ACER Market Monitoring Report 2014).

Analogous concerns results from the priorities of the Energy Union legislative package, which considers as a crucial step for the realization of a well-functioning internal market the phase out of regulated prices and similar arrangements.

Valeria Amendola (Italian Antitrust Authority) expressed similar claims with reference to the possible anticompetitive effects of the standard offer regime. In addition, she argued, if the estimated commercialization component of the standard offer tariff does not correctly reflect the effective costs borne by market operators, it would

be difficult for the latter to offer competitive price conditions, thus discouraging new entry and customers' switching at detriment of competition.

Moreover, as highlighted by **Massimo Bello (Tremagi)**, a different risk profile characterizes AU and free market suppliers with respect to the purchase of electricity on the wholesale market. Indeed, the electricity tariff set by the Italian Regulator for customers supplied under the "Maggior Tutela" regime fully covers the procurement costs borne by AU. This asymmetry between the risk profile of the purchasing activities of AU and free market suppliers might be a barrier, according to Bello, to the deployment of competition in the retail power market.

Eugenio Bruti Liberati (University of Eastern Piedmont) remarked the possible anti-competitive effects of the "Maggior Tutela" regime by also highlighting the regulated feature of the standard offer tariff with reference to the estimated commercialization component of the standard offer price.

However, remembered **Bruti Liberati**, the debate on the anticompetitive effects of possible forms of price regulation it is not a novelty for the Italian energy sector. In 2010, the European Court of Justice defined, with the decision C – 265/08⁷ concerning the Italian Association of Utilities (*Federutility*) and the Italian Authority for Electricity, Gas, and Water, the perimeter within which Member States may adopt reference prices for the retail energy sectors without infringing the European Directives on the internal market. According to the European Court of Justice, the adoption of reference prices in the energy sector shall pursue a general economic interest, shall not influence or prevent the price formation in the retail segment, shall be clearly and transparently defined and shall guarantee equal conditions to European Union companies in accessing Member States' retail markets.

Nonetheless, said **Bruti Liberati**, households' protection, in the form of affordable electricity prices, may be pursued with measures, which not necessarily determine anticompetitive effects on the market. To this aim, he said, the Dutch experience might be an effective example. In The Netherlands, indeed, retailers submit their tariffs to the regulatory authority before charging them to customers. The regulator compares the submitted tariffs with a benchmark "reasonable" tariff

⁷ Sentence April 20th, 2010 n. C-265/08, *Federutility et al. v. Autorità per l'energia elettrica e il gas*.

computed by means of a model incorporating wholesale prices, operational and capital expenses, the expected technological and policy changes interesting the energy sector, etc. The benchmark tariff so computed is not disclosed to avoid the peril of becoming a focal point in the price-setting strategies of retailers. The latter cannot apply submitted tariffs that according to the model are deemed to be “unreasonable”.

Cost-reflectiveness of the electricity tariff

A reasonable tariff is not only a matter of low electricity prices that cannot be considered the only measure of the competitiveness of the retail sector. Indeed, a competitive retail market may encompass the delivery of innovative services bundled with the supply of electricity, which, in turn, may determine an increase in the electricity prices to cover the costs borne by retailers for the provision of additional services, valuable for customers.

Rather, “reasonable” electricity prices are the consequence of cost-reflective and transparent tariffs allowing customers to make efficient and informed consumption choices, and retailers to optimize their price-setting strategies for specific customer segments.

At present, about 50% of the Italian electricity tariff involves costs beyond the procurement and commercialization of electricity: on average, 15.8% of retail power prices covers network and metering costs, 13.3% taxes, and 21.4% other costs as those for renewable subsidies, management of nuclear waste, basic research on the electricity system, etc.

As stated by **Paolo Carta (ACEA)**, such relevant weight of the non-energy component of the tariff limits the possibility for retailers to offer discounts on the energy component of the tariff and thus to compete on customers’ acquisition.

Moreover, as both **Paolo Carta** and **Massimo Bello** argued, the development of competition in the retail market cannot disregard the evolution from a competition based only on prices to a competition based on the provision of ancillary and innovative services to customers such, as e.g. the installation of energy efficient appliances. For this reason, the reduction of the weight of those tariff components beyond energy consumption and commercialization would increase the room for the coverage of those costs borne by suppliers to develop innovative and differentiated offers for customers.

More generally, cost-reflective tariffs facilitate the comparison between suppliers’ offers thus promoting a competitive environment where

consumers may choose in an informed, conscious, and efficient way by reducing the risk of opportunistic behaviors by retailers.

Customers’ information asymmetry is a limit to competitive retail markets

Customers’ information asymmetry and incompleteness represent an important limit for the development of well-functioning retail markets. However, they affect to a different extent different customer segments as it may depend, among other factors, by the availability of resources and skills devoted to the collection of the relevant information.

Commissioner **Alberto Biancardi (Italian Regulatory Authority for Electricity, Gas and Water)** stated that the Italian retail power market suffers by segmentation between households and enterprises, whatever the latter’s dimension. The latter, actually, due to their different risk profile, bargaining power, and information capability are characterized by higher switching rates and better price conditions with respect to the former.

For this reason, according to **Biancardi**, the adoption of measures aimed at reducing households’ information asymmetry and incompleteness is a key priority for the Italian Regulator. Among these provisions, simpler and more informative electricity invoices, as well as the reform of the cost structure of the retail tariff (in Italy customers’ marginal cost of consumption actually increases with the increase in electricity consumption) and the empowerment of tariffs’ comparison tools are key instruments.

Biancardi added that once proper conditions for the limitation of customers’ information fallacies are achieved, a reform of the “*Maggior Tutela*” regime will not be necessary, as customers will opt to enter the free market. For the time being, however, these conditions are not fulfilled yet and a reform, as that envisaged by the Ministry for Economic Development, might be untimely.

The mitigation of customers’ information asymmetry is one of the most important motivations behind the establishment of the AU, according to the AU CEO, **Paolo Vigevano**. The reduction of the information asymmetry has to do not only with the promotion of more informed choices by customers but also with the reduction of the transaction costs related to customers’ decisions. Vigevano argued that the low switching rate of households does not necessarily mean that competition in the retail power sector is not working. Rather, it means that for a homogenous

good as electricity the transaction costs, linked to the acquisition of information on existing offers as well as to switching, is not compensated by the benefit arising from potential, and limited, savings from switching.

The role of AU in reducing transaction costs will soon apply also to market operators, affirmed **Paolo Vigevano**. The role of the AU is evolving with the complexity of the market. Since 2013, AU is in charge of managing the so-called *Sistema Informativo Integrato* a data set containing the list of the supplied point of deliveries and of the most relevant data necessary to market operators to perform, e.g., switching procedures. More generally, the *Sistema Informativo Integrato* has the function of standardizing and simplifying communication among market operators.

The relationship between distribution system operators and retailers: a crucial aspect for competitive retail markets

As argued by **Paolo Vigevano**, the relationship between distribution system operators (DSOs) and retailers is a fundamental aspect for a well-functioning retail market. In Italy, according to the provisions regulating the distribution activity (the so-called *Codice di Trasporto – Network Code*), retailers are responsible, by means of the revenues collected through the electricity tariff, to guarantee to DSOs the coverage of all the costs related to the distribution activities performed for the delivery of the electricity to final customers. These costs, which are charged from DSOs to customers through the tariff, may however include components that fall beyond the electricity provision, such as, for instance, renewable subsidies.

Moreover, according to the *Network Code*, suppliers have the duty to provide collaterals to DSOs to enter the market. The *Network Code* establishes that collateral shall be defined with reference to an average value of the yearly revenues that retailers expect to attain from customers' payments. These revenues shall take into account, for the definition of the collateral, also the costs that retailers collect from customers on the behalf of DSOs, such as e.g. the mentioned renewables' subsidies, and that fall beyond the provisions of electricity itself.

According to **Michele Governatori (Aiget)**, retailers face the risk of customers' insolvency with

respect to payments that are not under the perimeter of the retailers' activity, i.e. the supply of electricity to final customers. This unfair risk-sharing between retailers and distributors is exacerbated by the provision of collaterals whose value falls well beyond the scope of the retailers' activity. In addition, the *Network Code* provides the possibility for retailers to choose among several types of collaterals. This provision, argued **Governatori**, encompasses solutions that are well suited for vertical integrated operators but that are not suitable for non-integrated retailers as most of the new entrants are. A similar arrangement for collaterals, said **Governatori**, might produce serious anticompetitive discriminations among market operators.

However, regulation and competition, says **Francesca Valente (ENEL)**, are not antithetic words and the relationship between DSOs and retailers is a good example about how regulation may play a crucial role in shaping competition in the retail market. Actually, collaterals are an exemplification of the importance of regulation in ensuring well functioning markets. Collaterals, argued **Valente**, act as a screening tool aimed at distinguishing between well performing and reckless suppliers, from operators without a sound economic and reputational profile.

Francesca Valente claimed that a fair compromise with reference to the risk-sharing between retailers and DSOs for customers insolvency has been achieved within the Consultation Document 618/214/R/eel⁸. The consultation document presents the Italian Regulator's view on the approaching reform of the *Network Code* regulating the relationship between DSOs and suppliers. For example, said **Francesca Valente**, the review of the timing for the provision of the collateral by suppliers, and the possibility to introduce an incentive regulation for DSOs - to promote the effectiveness of those DSOs' activities affecting retailers - go in this direction. Among the incentive regulation of DSOs' activities discussed within the Consultation Document stands the introduction of a penalty-reward system for the timing within which the disconnection of insolvent customers on the request of retailers takes place.

According to **Governatori**, the regulation of customers' insolvency is a crucial element for a proper functioning of the retail power market. To this aim, a timely disconnection of insolvent

⁸ Autorità per l'Energia Elettrica, il Gas e il Sistema Idrico, 2014. *Codice di rete tipo per il servizio di trasporto dell'energia elettrica*

fatturazione del servizio e garanzie contrattuali. Orientamenti finali. Available at: <http://goo.gl/B6hSkv>.

customers is important to avoid retailers bearing the costs for the provision of electricity to non-paying customers. Similarly, said **Governatori**, the strengthening of those tools aimed at reducing information asymmetries on the payment history of customers might be a useful tool to reduce the risk of insolvency faced by retailers.

In the direction of a fair costs' sharing between the two complementary players of the retail market, regulation should play a screening function not only with reference to good and bad DSOs or with reference to retailers, says **Paolo Carta**, but also with reference to bad and good insolvent customers. According to **Carta**, indeed, regulation should distinguish among those customers that are repeatedly insolvent, and have a negative track record in terms of payments, from those who occasionally, due e.g. to temporary adverse economic conditions, are not able to fulfill their obligations. This would prevent DSOs from bearing unneeded costs, e.g. for disconnection, and customers who on average are good payers to be not deprived of an essential service as electricity supply.

Customers' switching as a thermometer of well-functioning retail markets

Customers' switching is an important measure of the degree of competition in a market. The higher the switching rate, the fiercer the competition of suppliers in contending customers and the better the quality, the array, and the prices offered to customers. Moreover, switching is the emblematic expression of the right of customers to choose the supply arrangement that fits better to their needs.

However, switching may also reveal opportunistic behaviors of insolvent customers that might change supplier to avoid the payment of pending obligations with their current supplier.

In 2013, the unpaid ratio of households and small enterprises has been substantial and equal, respectively, to 0.80% and 2.78% over a payment history of two years⁹. Due to the economic crisis, these values showed an increase by 12% and 40%, respectively for households and small enterprises, with respect to 2012.

Hence, in order to achieve a good compromise between the right of customers to choose and the proper functioning of a competitive market, **Francesca Valente** suggested the possibility of

introducing the incapacitation of insolvent customers from switching in order to avoid opportunistic behaviors at detriment of the profitability of retailers and distributors.

As argued, with the exception of opportunistic behaviors, switching plays a crucial role in promoting competition in retail markets. However, this would be the case only if customers can switch in a short time frame and with low transaction costs.

The Italian Regulator intends to enforce a review of the regulation of the switching procedures in order to reduce the actual time needed to switch which, in Italy, is currently above, on average, the standard of three weeks set by the European Directive 2009/27/EC. The reformed switching procedure will be then enforced within the mentioned *Sistema Informativo Integrato* managed by AU.

With respect to the *Sistema Informativo Integrato* **Francesca Valente** argued that on one hand the system may reduce the transaction costs related to some market transactions, as well as promote the standardization of certain procedures. On the other hand, it may increase the costs for the system at the detriment of the cost-reflectiveness of the tariff and thus of an affordable electricity price for customers.

On the same issue, **Governatori** maintained that the positive effects the *Sistema Informativo Integrato* will bring in terms of a more efficient retail market would more than compensate its possible higher costs.

Bello also highlighted a crucial element for a well-functioning switching: the availability for the incoming supplier of timely and precise measurement data on past customers' consumption. Under current regulation, distributors have to make these data available. However, they might provide this essential information in an untimely or unsatisfactory manner. Currently, the regulation of the metering service is subject to a consultation document and to a possible reform within the expected regulatory review of the quality of the transport, distribution, and metering services for the new regulatory period beginning in 2016.

Metering data, says **Bello**, are also important to differentiate offers according to customers' consumption patterns and to develop energy efficient solutions as well as smarter consumption behaviors.

⁹ Autorità per l'Energia Elettrica, il Gas e il Sistema Idrico, 2014. *Modifiche e integrazioni alla disciplina relativa alla morosità nei*

mercati retail dell'energia elettrica e del gas naturale. Available at: <http://goo.gl/41WvPW>.

As stated by **Carlo Cambini (Polytechnic of Turin)**, the deployment of smart meters is crucial. In addition, claimed **Cambini**, a well-performing metering service requires the management of metering devices by third parties with respect to vertical integrated distributors also operating in the retail market.

Unbundling: a crucial measure for retail markets' competition

The acknowledgment of the Third Energy Legislative Package on the unbundling of vertical integrated operators is a crucial aspect for an effective competition in the retail market.

The Italian Regulator has recently published a consultation document¹⁰ illustrating the intents of the Authority with respect to the conclusive enforcement of functional unbundling of vertical integrated DSOs.

In addition, the consultation document highlights the intentions of the Regulator to enforce the so-called “brand unbundling”, i.e. a separation of the communication campaign and of all the distinguishing brand features of vertical integrated operators actively engaged in different market segments.

The current lack of enforcement of brand unbundling may well explain the 60% of households that exerted their right to switch toward a supplier linked with the company that supplied them under the “*Maggior Tutela*” regime.

Indeed, suppliers operating in the “*Maggior Tutela*” market are usually linked to the local DSOs, being part of the same vertical integrated incumbent. This link might encourage customers to continue to choose suppliers linked with the local distributors with the expectation of benefitting of more efficient services, e.g. in case of blackouts or network disruptions, with respect to non-vertical integrated suppliers.

Nonetheless, **Amendola** observed that an effective brand unbundling aimed at promoting competition should impose the change of the brand for the company operating at the retail level. This provision would not allow vertical integrated operators to maintain the most known historical brand at the retail level and thus to not bias customers' perceptions about other retailers' reliability and reputation.

The liberalization of the telecommunication sector: lessons to be learned for the electricity market

The telecommunication sector experienced a liberalization process, in Italy as in the rest of Europe, earlier than the electricity sector. Hence, according to **Cambini**, it might provide important insights for the development of competition and the achievement of a full liberalization of the electricity market.

In the telecommunication sector, argued **Cambini**, liberalization aroused as a solution to the cross-subsidies existing between tariffs covering different services (i.e. long-distance and short-distance voice services) and exploited by the incumbent at the detriment of customers.

The liberalization of the telecommunication sector – despite the several problems emerged in the early stage – brought positive effects for customers by broadening the access to telecommunication services at lower costs.

Undoubtedly, claimed **Cambini**, the success of the liberalization in the telecommunication sector also relied on tariffs that were more transparent with respect to the electricity market. For customers, argued **Cambini**, electricity might be a more sophisticated service to evaluate and with respect to which make purchase decisions.

Nonetheless, as empirical economic literature shows, the full liberalization of the electricity sector might be an important lever for the promotion of smart grid investments and, ultimately, for smarter and more sustainable consumption behaviors in line with the European provisions on sustainability.

Conclusions

On February 12th, Lear held its first LearTalk “*Ten years since the Second Energy Legislative Package: which perspectives for the Italian retail electricity market*” to debate and analyze, with scholars, market operators and institutions, the most important issues currently interesting the regulatory and political agenda with reference to competition and regulation in the Italian retail power market.

Conflicting views emerged from the talk with reference to the maturity of customers, namely households, to face a complete liberalization of the retail sector by means of the suppression of the so-called “*Maggior Tutela*” regime. While market

¹⁰Autorità per l'Energia Elettrica, il Gas e il Sistema Idrico, 2015. *Riforma degli obblighi di separazione funzionale per i settori*

dell'energia elettrica e del gas naturale. Orientamenti finali. Available at: <http://goo.gl/aFsAvg>

Email: lear@learlab.com

operators argued that households are ready to directly negotiate with retailers their electricity tariff, the Regulator, as well as the AU, claimed that households' risk profile, bargaining power, and information asymmetries might expose customers to suppliers' opportunistic behaviors in the case of a sudden opening of the retail segment.

The full liberalization of the retail power sector is expected to remove, by market operators, scholars and the antitrust authority, the actual possible anticompetitive effects of a reference price such as of the "*Maggior Tutela*" regime.

Tariff cost-reflectiveness as well as clearer and more transparent invoices are considered important measures to foster customers' participation in the market by means of more informed choices. Moreover, higher tariff cost-reflectiveness, claimed operators, might encourage the development of innovative and more differentiated offers by benefitting both customers and utilities' business models.

Similarly, more efficient switching procedures are seen as a crucial aspect to promote competition in the retail market. However, some market operators call for special provisions concerning the switching of insolvent customers, in order to avoid opportunistic behaviors in case of pending obligations with their current suppliers.

Customers' insolvency, indeed, is perceived as a significant obstacle to a well-functioning and competitive retail market. Moreover, the regulation of the relationship between DSOs and retailers - which is thought to play an important role for the development of competitive retail markets - appears to acquire particular importance with respect to customers' insolvency.

Suppliers also claimed for the enforcement of brand and functional unbundling as measures aimed at promoting competition in the market.

Last but not least, a full liberalization of the retail power market is considered important for the promotion of smart grid solutions and smart metering devices that are crucial for the encouragement of more sustainable consumption behaviors, in line with the European targets on energy sustainability.

As it emerged from the LearTalk, the Italian retail power market is at the center of a lively debate concerning its regulatory and competitive developments. Important advancements, interesting both customers, market operators and institutions, seem thus to be expected in the near future.

