

Market Power and Electricity Retail Market CASE: Finland

Antti Paananen

Energy Market Authority

Electricity Market in Finland

- All electricity users have been able to freely select their supplier since January 1st, 1997
 - Since autumn 1998 hourly kWh-meters not required for small customers
- There are about 70 electricity suppliers
 - But only far less than 40 of them offer electricity to non-local customers
- Top 3 suppliers have about 30-35 % share of electricity retail market
- Top 3 generating companies have nearby 50% share of electricity generation
- In principle it seems that electricity market in Finland are well-functioning

But there are problems on electricity retail market...

- Local suppliers retain considerable market power
 - Costs of searching and switching to new supplier
- Psychological barriers preventing customers from switching
 - Customers believe that switching is complicated
- Customers don't feel being informed enough
- Price comparisons are considered problematic
- Suppliers' pricing strategies
- Many retailers have become less interested in competing for customers
 - Offers are higher than list prices
 - Many retailers even fail to respond to requests for offers
 - Small customers are not sexy!

Conclusions

- Only about 24% of retail customers feel that electricity retail market are well functioning
- About 70% of the customers feel that comparing choices is not easy
- Something has to be done or otherwise in a fully deregulated market small customers may still not benefit
- Retailers' behaviour is critical
- What the regulator should do to promote more competition on retail market?
 - Public availability of offer prices?
 - More information on electricity market to increase level of awareness?