

EMBARGOED UNTIL 00.01 HOURS ON WEDNESDAY 21 NOVEMBER 2007

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New energy ratings to help cut through green customer confusion

- **New voluntary guidelines for low carbon and renewable energy supply**
- **Guidelines will be similar to the A to F energy efficiency rating used for household appliances**
- **Green energy supply claims to be verified independently**

Choosing between green energy deals will soon be much easier for domestic customers and businesses thanks to new proposals put forward by energy regulator Ofgem.

Ofgem has proposed two separate sets of guidelines: one to cover tariffs for energy produced from renewable sources and another to cover tariffs for energy sources that have low carbon dioxide emissions. Ofgem's aim is to improve the information available so customers can make informed choices.

Ofgem's Chief Executive Alistair Buchanan said: "By cutting green confusion we are giving consumers more confidence when shopping around for an electricity deal to help cut their carbon footprint.

"Currently, customers find it difficult to compare the environmental benefits of the various energy deals on offer. The new rating scheme will eliminate confusion and encourage customers to seek deals that best meet their needs, and will give suppliers more incentives to innovate and develop new tariffs and products."

Under the proposed new voluntary guidelines, low carbon offerings will be rated according to how low their associated carbon emissions are – their carbon intensity. The proposed A to F rating system will be similar to the system currently used for rating the efficiency of household appliances. All suppliers' tariffs will be rated according to carbon intensity so customers can choose a low carbon energy supply.

Suppliers already have a legal obligation to supply a percentage of energy from renewable sources and this percentage increases every year. This means that every energy customer is already making a contribution to promoting renewables and lowering carbon emissions. However, Ofgem wants to ensure that customers who buy green tariffs know if they are paying for the amount of renewable energy suppliers are already legally required to supply, or whether they are funding additional green supplies.

Suppliers would have to provide clear and standardised information on their website for each green offering, including the fuel mix of the tariff and information on sources of low carbon or renewable generation.

The revised guidelines are expected to be published early next year. Industry will then have six months to develop a certification scheme based on the guidelines. It is expected that the scheme will be up and running by next summer.

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Notes to editors

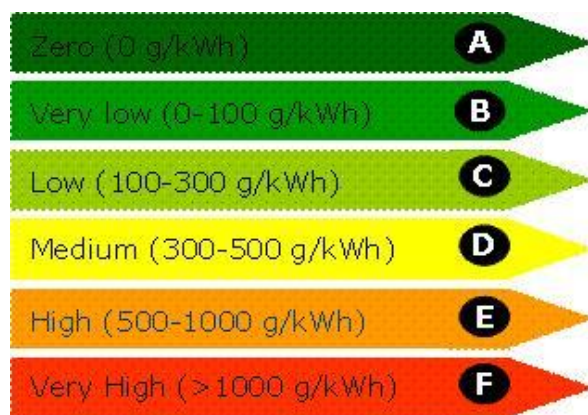
1. What is green energy?

Green supply tariffs are contracts into which customers can enter with suppliers to obtain all or part of their electricity from renewable or potentially low carbon/carbon neutral sources of generation. They also include contracts under which suppliers can agree to invest a premium back into renewable energy or other environmental funds, or alternatively take other carbon offsetting actions.

2. Rating scheme

Ofgem is proposing an A to F rating system that will identify how much carbon each green tariff uses. The table below is an illustrative example of how it would work.

Illustrative example of A to F rating system



3. Way forward

Ofgem today published a detailed consultation on its proposed revisions to the guidelines for low carbon and renewable supply offerings. Ofgem plans to finalise and implement the guidelines early next year. Once the guidelines are implemented Ofgem envisages that suppliers, in consultation with stakeholders, will develop and fund a certification scheme to be implemented within six months to ensure that tariffs covered by the guidelines are compliant with the required principles and can therefore be marketed as such.

- Energy suppliers who enter into the scheme will have **all** of their tariffs rated using the A to F rating scheme. Suppliers must verify their claims regarding “green” tariffs through extending compliance requirements of Fuel Mix Disclosure. Fuel Mix Disclosure requires all electricity suppliers to publish information on the mix of fuels used to generate the electricity they supply and the environmental impact of its generation. Since 1 October 2005 suppliers have been required to show this information on bills and promotional materials. More information can be found at: <http://www.fuelmix.co.uk/>
- Ofgem is the Office of the Gas and Electricity Markets, which supports the Gas and Electricity Markets Authority, the regulator of the gas and electricity industries in Great Britain. The Authority's functions are set out mainly in the Gas Act 1986, the Electricity Act 1989, the Competition Act 1998 and the Utilities Act 2000. In this note, the functions of the Authority under all the relevant Acts are, for simplicity, described as the functions of Ofgem.

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