



THE NATIONAL ENERGY FOUNDATION

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David Hunt, Retail Markets
Ofgem
9 Millbank
London
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23rd February 2012

Dear Sirs

RESPONSE TO RETAIL MARKET REVIEW CONSULTATION

On behalf of the National Energy Foundation, I am pleased to provide our formal response to the above consultation. The Foundation is an independent charity, dedicated to countering climate change through energy efficiency and the use of sustainable energy sources. However we have a specific interest in the RMR through our role as Secretariat to the Green Energy Supply Certification Scheme and we will restrict our comments to this aspect. In particular we will draw on the findings of the recent Scheme Consultation exercise.

Question 6: *Do stakeholders agree that we should not allow an exception for suppliers to offer a green standard tariff in addition to an "ordinary" standard tariff?*

No, we do not agree. In the recent consultation there was a clear view that customers sign up to green tariffs because they are motivated by environmental issues and are not primarily price sensitive. Consequently most such customers are content to stay on the green tariff once they have joined it and are less inclined to shop around for alternative tariffs. We are also aware that such customers often fail to read communications from suppliers about tariff changes as carefully as they perhaps should do, as they are content in the knowledge that they are on an environmentally responsible tariff. This raises the risk that they will find themselves automatically moved back onto an ordinary ("brown") tariff by their supplier. In this event they are likely to feel aggrieved and to criticise their energy supplier, the Scheme and Ofgem for allowing this to happen.

In economic terms, this would lead to additional costs for suppliers (both in terms of notification and moving clients between tariffs then potentially moving them back to the green tariff) that would almost certainly be passed through to the customers, increasing their costs and possibly making green tariffs less competitive.

We note that the consultation document defines green tariffs as ones which are "*marketed as having environmental credentials*" but requires no substantiation for the marketing claim. To avoid the inclusion of pure greenwash tariffs, we would advise that to be allowable as a second standard tariff, a green tariff should either be certified under the Scheme or provide defined benefits equivalent to the matching, additionality and transparency requirements of Ofgem's green guidelines.

Finally, we would not agree with the statement that "*any dispensation for green standard tariffs would double the number of tariffs in the standard segment of the market and so would add significant complexity*". Our view is that the public are intelligent enough to be able to make informed choices based on two standard tariffs (one green, one brown) from each supplier and that this does not introduce a significant complexity.

Please contact the undersigned if you would like to discuss any of these points further.

Yours faithfully

Deputy Director, NEF & Secretariat to the Green Energy Supply Certification Scheme