

Stakeholder meeting on our work to enhance consumer protection in the green and renewable offers market

From	Hannah Mottram	24/04/2014
Date and time of Meeting	09/04/2014 10:00-13:00	
Location	Ofgem, 9 Millbank	

1. Present

Attendees:

- Holly Tomlinson (Ecotricity)
- Tom Whitehouse (Green Energy)
- Chris Welby (Good Energy)
- Matthew Cole (Npower)
- Alan Hannaway (Npower)
- John Mason (EDF)
- Gareth Williams (Scottish Power)
- Giles Bristow (Member of GESC's Panel)
- Solitaire Townsend (Member of GESC's Panel)
- Nick Eyre (Member of GESC's Panel)
- David Dentith (National Energy Foundation)
- Victoria Williams (Aldersgate Group)
- Andrea Smith (University of Sussex)
- Mark Sommerfeld (LoCO2 Energy)
- Rosalind West (DEFRA)
- Clare Southworth (DEFRA)
- Kenny Griffith (Energylinx)

Ofgem representatives:

- Steffen Felix
- Stephen Bass
- Natasha Smith
- Hannah Mottram
- Alex Belsham-Harris
- Ruben Pastor-Vicedo

2. Introduction

Stephen Bass (Head of Sustainable Energy Policy team, Ofgem) opened and chaired the meeting. Steffen Felix (Economist, Ofgem) gave a presentation (see associated slides). Covering the three guiding principles of transparency, evidence of supply and additionality, he recapped the content of the previous consultation, gave an overview of stakeholder responses and introduced three questions for discussion. The key questions discussed in this meeting were around the way information is presented to customers (slide 6), what constitutes an additional environmental benefit (slide 8), and whether micro businesses should be covered by this policy (slide 9). Ofgem emphasised that the options tested here are only to inform Ofgem's policy thinking at working level, they do not represent Ofgem's position.

3. Transparency

Slide 6 shows the first question for discussion. It sets out that tariffs that make environmental claims based on renewable supply, but do not carry an additional environmental benefit, should display a message at the Tariff Information Label (TIL). Other information (such as the fuel mix) would be displayed at the point of sale. We asked stakeholders whether they see any issues around presenting information in this way (eg on switching sites).

Whilst stakeholders supported clarity for consumers they raised some issues around:

- Some stakeholders argued that the fuel mix of all tariffs or companies should be presented not just those that make environmental claims. Some argued that this is already an obligation but suppliers do not adhere to it. Ofgem explained that under current regulations, all suppliers need to show their fuel mix at least once a year to their customers and in promotional material (see Standard Licence Condition 21 and associated guidance).
- One stakeholder expressed concerns around changing the TIL already after it has just been introduced. Ofgem clarified that the proposal would not change the TIL but would simply use existing entries of the TIL. The format or structure would not be changed. Suppliers would be given sufficient time to manage these changes.
- Several stakeholders argued that the TIL does not provide sufficient flexibility to show the environmental credentials of a tariff. Ofgem explained that the TIL provides flexibility to present environmental credentials in the frequently asked questions. More broadly, the contents of the TIL were consulted on as part of the RMR, with the aim of striking a balance between providing the customer with key tariff info and avoiding information overloading.
- Linked to the previous point, there was some discussion as to whether the additionality message would be confusing for customers if it is not shown with the actual environmental claim but shown in a different place.
- There was a question around how customers will be able to use switching sites to find and compare tariffs that make environmental claims. It was suggested that tariffs could be ranked by their fuel mix (eg % of renewables).
- Some stakeholders suggested that Ofgem should widen the scope of this project to look at fuel mix disclosure more generally and how it is presented to customers.
- A question was asked about whether tariffs that were not 100% renewable would be acceptable (such as 10% renewables + carbon offsetting tariffs). Ofgem explained that there are existing rules and regulations in place by the Advertising Standards Authority and Defra which sets out principles for making environmental claims as well as the new Standards of Conduct that suppliers need to adhere to.

4. Additionality

As shown on slide 8, Ofgem asked stakeholders on their thoughts around broadening the concept of additionality and adopting a more principle-based approach as well as any views on discharging this obligation at a corporate level. Stakeholders agreed that additionality is a complex issue and that there is no easy way of implementing this. Issues raised included:

- There was some discussion whether the move away from the renewables obligation towards contracts for difference could make the concept of additionality redundant. There was a discussion as to whether there is a fundamental difference between the current and future subsidy scheme with regards additionality, in the absence of as an obligation on suppliers to contract with renewable generators (outside the micro FIT scheme).
- Under the current voluntary scheme there are set thresholds and specific criteria as to what constitutes "additionality", ensuring that tariffs meet minimum standards on a consistent basis. This would be more difficult to achieve with a purely principle-based approach.
- There was a substantive discussion as to whether it is best to have a prescriptive approach to additionality, to take a principle-based approach or to have no rules around additionality. Ofgem explained that a principle-based approach could introduce the concept of additionality without being too prescriptive. This might be preferable given the size of this market and the importance of proportional regulation. However, some stakeholders argued that choosing either a prescriptive approach or having no specific rules on additionality might be a better approach than taking a middle ground.
- One stakeholder suggested that a principle-based approach could work if it included some guidance as to what might be considered additionality, in particular that it needs to be:
 - Quantifiable (potentially per customer)
 - Linked to carbon dioxide emissions
 - Relevant to the environmental claim
 - Audited/proved.

5. Scope and implementation

Finally, the group discussed whether micro businesses should be covered by this as well if Ofgem were to adopt a mandatory approach. Issues raised:

- Non-domestic consumers are a different market as they may have energy managers and be more engaged in the market. This may not be true of smaller businesses though. Stakeholders did not have any concerns around including this group in the policy.
- Some stakeholders raised carbon reporting guidelines as an important vehicle to encourage purchases of renewable energy. Ofgem explained that Defra has recently published a consultation (<https://consult.defra.gov.uk/climate-change/ac04ad33>) on Greenhouse Gas Emission Guidelines. Defra representatives at the meeting explained the policy. Ofgem and Defra explained that they collaborated closely on this to ensure policies are aligned where they need to be aligned (in particular around evidence of supply).

6. Any other business

Ofgem briefly raised the proposal to implement the changes for dead, existing and new tariffs from next financial year, ie 06 April 2015 with transitional provisions for fixed-term tariffs. This, in particular the alignment with the financial year, was welcomed by stakeholders.

7. Actions

Ofgem invited stakeholders to discuss these issues further on a bilateral basis by 23 April 2014. Ofgem encouraged stakeholders to get in contact by emailing sustainable.energy@ofgem.gov.uk.