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Dear John

Revision of Guidelines on Green Supply Offerings

EDF Energy is pleased to have the opportunity to respond to the consultation on revision of guidelines on Green Supply Offerings.

We agree that transparency is very important in ensuring customer confidence in green supply offerings. With several different mechanisms that could be used to demonstrate 'greenness' in supply, including LECs, complying with the RO with ROCs, and the use of REGOs in fuel labelling, consumers could easily become confused by the variation between green and renewable offerings from different suppliers. Transparency is key to allowing consumers to make an informed decision when considering supply offerings.

We do not support setting a strict definition for additionality, as this will stifle product development. In a competitive market suppliers will look to differentiate their offerings and provide customer choice. The onus should be on the supplier offering the product to explain and subsequently be able to verify the claim of additionality in a straightforward manner.

We agree that that suppliers should be responsible for maintaining evidence to verify supply, fuel mix, and any additionality claims made for each product. We would support the use of a third party accreditation system to 'badge' supply offerings.

Detailed comments on the areas discussed in the consultation are attached. Please contact Derek Scally on 0207 752 2520, or me, if you have any queries on our response.

Yours sincerely

Denis Linford

Director of Regulation

Supply in the Industrial and Commercial market

We believe that the guidelines should continue to focus on the residential market with best practice being applied into the Industrial and Commercial Market in areas such as transparency, additionality and verification. This is due to the different buying motives of the different customer groups and the structure of the offerings.

We agree that there has been a major growth within the business market which is mainly due to the ability of these customers to avoid the increased cost of the Climate Change Levy, and also to demonstrate to their stakeholders that they are reducing their CO₂ footprint.

The Climate Change Levy (CCL) mechanism allows renewable power produced outside the UK to be imported and supplied to UK consumers as CCL exempt power. Therefore the total supplied renewable power may be greater than that produced by UK based renewable generators.

We do not agree that renewable supply contracts provided to the business market should not be labeled as “green”. The CCL general regulations require suppliers to state within its renewable supply contracts that the supply is backed by “renewable sourced electricity”. In addition, following the recent publication by the DTI of the Renewable Energy Guarantee of Origin guidance note, industry has taken the view that REGOs are tied to power to avoid double counting. Therefore we would expect that all ‘green’ products available in the UK market will be entirely backed by LECs as well as REGOs, or by REGOs alone. This is due to some renewable technologies i.e. large hydro >10 MW not being eligible for LEC scheme.

Evidence of Supply

We agree that standardising evidence of renewable supply would increase transparency, reduce the risk of double counting, and increase confidence from a customer’s perspective. To achieve this we support the proposal that REGOs should be used as evidence of supply, as the REGO definition covers all forms of renewable generation unlike the LEC and ROC definitions. However, where a renewable generator is also eligible under the renewable CCL exemption mechanism, the LEC should be tied with the REGO to demonstrate renewable supply and to avoid double counting.

We do not support the use of ROCs as evidence of renewable supply as they are fully separable from the power, which could result in double counting.

Links with Fuel Mix Disclosure

We do not see how a supplier’s renewable sales volume can tie up with the volume of REGOs held as per the fuel mix disclosure regulations as this conflicts with the CCL mechanism that allows a supplier to balance its position on a two year basis.

Definition, measurement and standards for additionality

We do not support setting a strict definition for additionality, as this will stifle product development. The onus should be on the supplier offering the product to explain and subsequently be able to verify the claim of additionality in a straightforward manner.

If a supplier's offering makes a claim that goes beyond the supply of renewable energy (supported by a REGO / LEC) such as ROC retirement, this needs to be demonstrated in a transparent manner. The ROC registry provides a facility for this, although we understand that parties have had difficulty in using it. Although the registry can accommodate the retirement, as opposed to redemption, of ROCs against a suppliers RO, it does not show it in the most straightforward manner for consumers. To enable the information to be clearly understood by a consumer the total amount of ROCs retired would need to be shown against the total product supply volume.

We do not believe ROC retirement delivers additional capacity in a transparent manner. If a supplier wants to use ROC retirement as to claim additionality then this needs to be in a straightforward manner.

The retirement of EUETS allowances would provide a supplier the opportunity to differentiate its offering within the market place, and supports not setting a strict definition for additionality. This type of offering would not necessary have to be backed by renewable electricity to allow a customer to demonstrate that it is reducing its CO₂ footprint.

Operation of Funds

The operation of any fund based product should be fully transparent and we agree that any premiums collected should be fully auditable. The criteria for grant applications from the fund should be clear, and regular updates on what grants have been awarded and progress on grant supported schemes should be provided to customers on a regular basis.

Third Party Accreditation

We would support the establishment of an independent third party verification body. This party should not judge the merits of green supply offerings or rank them, but should be available as an independent verifier of the claims made by suppliers. Other parties such as NGOs or consumer groups may chose to endorse or rank offerings based on their own criteria.

We believe that government has a role to play in supporting the establishment of such a body, which can be also be used as a vehicle to engage with consumers regarding the government's renewable ambitions and to promote general awareness of renewable energy issues. This body would be able to educate customers on the different renewable support mechanisms, allowing them to make informed decisions when selecting their tariff.