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date

Dear John

### **Revision of Guidelines on Green Supply Offerings – Consultation response**

As with all offerings in the energy market consumers need clarity, accuracy and assurance to make informed choices. Green supply offerings are special insofar as they have the potential to help GB meet Kyoto and domestic targets for the reduction of carbon emissions and an increase in levels of renewable generation. Since the guidelines were published in 2002 it is obvious that consumers have found offers confusing and have been unable to compare offers against each other.

Ofgem rightly point out that the current guidelines need updating to reflect recent changes in the market. energywatch sees the lack of an independent accreditation system as being a major driver behind the apparent lack of uptake of green offers. The Government is committed to developing renewable generation, and has objectives to protect the natural environment. Market mechanisms such as the Renewables Obligation and Climate Change Levy have been introduced to stimulate markets and change behaviour. These measures are often complex and not designed with the average domestic consumer in mind. While this is not an issue as far as the success of the measures are concerned they do make it difficult for most consumers to get to grips with how these measures deliver renewable generation or other environmental benefits and how changing their behaviour or switching to a more expensive tariff will make a difference.

#### Transparency

It is essential that a tariff which incurs a premium for the customer is presented in a manner where the claims can be substantiated. As noted above the market mechanisms introduced to help develop renewable generation, and rules for the operation of funds are necessarily complex. Whilst energywatch will be providing consumers with information to help them understand these measures it would further the uptake of green supply offering if an independent body could verify and accredit claims in order to make it easier for consumers to make choices.

For tariffs offering renewable energy it is only sensible that reference to renewable generation is based on the same requirements under the fuel mix disclosure supply licence conditions.

For fund based tariffs the offer must explain how and when environmental objectives will be delivered.

### Additionality

All green offerings must go above and beyond the level of obligations already placed on suppliers. For tariffs offering to supply renewable electricity the level of additionality must be explicitly, and substantially, beyond that of the Renewable Obligation (RO). Of course this means that consumers will have to be informed that the RO target is raised annually so the level of additionality will actually fall over time.

For fund based tariffs consumers are going to have to be satisfied that the offer is indeed worth paying a premium for and that it will deliver an environmental benefit (either ensuring investment in the expansion of renewable generation or other environmental benefit not related to renewable generation, such as developing wildlife sanctuaries). To successfully market these tariffs consumers will need clear, up to date information which outlines how their premium will fund the offers made.

### Verification

energywatch agrees that suppliers should be responsible for the evaluation and provision of data necessary for the verification of all claims made, and introduce measures to ensure they can be objectively verified prior to marketing. Such information must also be retained to allow information disclosure for verification to be made.

The introduction of a third party arm's length accreditation system would be the most sensible way to increase consumer confidence and uptake of green offers. The system need not be expensive or onerous for suppliers or the accrediting body. It has the potential to remove the need for the consumers to fully understand such systems as the RO or the CCL. As long as the accrediting body is independent of the industry, well recognised and trusted by consumers then a 'kitemark' or badge would, in most cases, assure consumers that the offers were bona fide. An accreditation scheme of this sort should not be used to decide which offer is 'greener' than another. How green an offer is should be something a consumer makes a value judgement on. If other bodies wish to present what they believe is more environmentally beneficial in order to help consumers make that value judgement then an accreditation scheme would give those bodies confidence that their comparisons are based on verified offers.

### Verifying additionality

For fund based tariffs verification should include: how the fund is managed and operated, how customers will be informed of fund expenditure; that the claims fit in with accepted environmental benefits; wording which is in line with accepted advertising guidelines and clear contact details for enquiries or complaints.

The introduction of the Renewable Electricity Guarantee of Origin (REGO) certificates should be used to as evidence of renewable electricity supplied for the reasons outlined in the consultation document.

The retirement of Renewable Obligation Certificates is something which can arguably benefit the development of renewable electricity in the medium to long term. If suppliers wish to retire ROCs for electricity supplied above and beyond

the level of the RO as part of their offer then the reasons for this should be conveyed in simple way to consumers.

However the use of REGOs certificates should still be the method to verify additionality for offerings based on renewable generation.

### Business Consumers

There is evidence that large business consumers see green energy and a pro-active approach towards sustainability issues as being part of their corporate responsibility agenda. For SMEs the picture is very different, with most behaving very similarly to domestic consumers.

We believe all consumers would benefit from an accreditation system, although we recognise that energy procurement for industrial and commercial consumers would pose greater difficulties than in the domestic market.

energywatch agrees with Ofgem that Climate Change Levy Exemption Certificates (LECs) should not be used a proof of green supply unless supported by REGOs.

### energywatch and green supply offerings

As part of our work on promoting sustainable consumption and representing consumers in the energy debate energywatch will be seeking to open a dialogue with suppliers once this consultation is closed to develop a non-onerous system which gives consumers confidence that offers have been independently verified and allows suppliers a cost-effective marketing opportunity.

energywatch proposes that we could potentially fulfil the role of an independent third-party arms length accreditation body. energywatch is about to conclude a review of the pricing comparison accreditation system we oversee and ideally it would be in consumers interests if all domestic tariffs were accredited by a single body to reduce consumer confusion (although the two systems would be necessarily different). energywatch is totally independent of the industry and has a prompted awareness amongst consumers of 43%.

In parallel to this work energywatch will be developing reliable consumer advice material on green tariffs which will be available via our website and as a printed leaflet from our call centre. This will include information on the current fiscal measures to increase renewable generation, renewable technologies, the operation of funds, a summary of these updated guidelines and how energy efficiency is equally important in tackling rising carbon emissions.