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Dear John

Revision of Guidelines on Green Supply Offerings

ScottishPower welcomes the opportunity to comment upon the above consultation.

ScottishPower is heavily invested in environmental issues and a strong supporter of the Government's renewable energy policy. We offer both a Green Tariff and a Fund supporting environmental projects, and have recently been awarded a Big Tick for excellence in the Business in the Community Cause Related Marketing category, for tackling climate change with Green Energy Products.

Customer Preference

Information collected as part of our internal Voice of the Customer research indicates that flexibility and choice of service are key drivers of customer satisfaction. This research also indicates that environmental issues are important to customers. Consumer choice should be allowed to drive the market for green products, within the scope of regulatory principles. Ofgem's primary concern should be encouraging innovative product development that meets customer needs, within the principles of simplicity, transparency and honesty. It should be for suppliers to work within the current regulatory arrangements to achieve this, rather than follow a path specified by Ofgem. The DTI Green Claims Code is a strong example of how this works in practice. ScottishPower is concerned with what we perceive to be a low take-up of green supply among domestic consumers and complex, prescriptive guidelines such as those being proposed will ultimately lead to lower take up of green supply options.

Domestic Practice

The concept of additionality in this context is not suitable for domestic green supply, due to its natural complexity, and this is especially true for the liberalised UK energy market. At the least, extensive discussion is required around the definition and development of the concept. If Ofgem propose to include a full, accurate concept of additionality then it is essential to fully define what constitutes a 'clearly defined environmental benefit' and the extent to which any additional benefit must be made. However, the natural result of this is increasingly complex products, which would only serve to confuse and alienate customers, or even a lack of product development. Again, the optimum approach is for the supplier to demonstrate that a green product suits the needs of the consumer and works within current regulatory requirements.

ScottishPower acknowledge that double counting is an issue for domestic green products, but are not convinced by the proposals for retiring ROCs and are reluctant to agree that this would present sufficient evidence of additionality. It is not clear from the consultation what would be required if suppliers were to delete ROCs and how this would work in practice. For example, clarification would be required as to whether ROCs were to be deleted on a 'volume sold' basis, or a certain number of ROCs be retired for X number of customers. Further clarity is certainly required in this area to ensure that any system of ROC retiral would not be abused.

Non-Domestic Practice

ScottishPower is concerned with the treatment of non-domestic customers within the consultation. These customers arguably form the most important and successful market for green supply products and any discussion of non-domestic green supply must recognise this. The consultation fails to address the material differences between the domestic and I&C markets, and is in danger of contradicting Government regulation and policy. As the largest and most confident purchasers of green energy, non-domestic customers drive the market and ensure that suppliers provide the optimum products to suit their needs.

As Ofgem notes LECs are required, by HM Customs and Revenue, as evidence that supply is exempt from the Climate Change Levy, indicating that the supply comes from renewable sources. There is no justification in the revised guidelines as to why this process is no longer acceptable. LECs clearly remain the best mechanism for verifying CCL-exempt supply. LECs provide these consumers with a legally binding contract and are not separable from the energy they relate to, which means there is a clear audit trail that non-domestic customers can appreciate. There is no justification for extending the guidelines to non-domestic consumers, as this market is clearly operating well without such measures.

Further Comments

Given existing legislative requirements for both ROCs and LECs, ScottishPower does not support the current suggestion in the draft guidelines for the standardised industry-wide method of evidence. It does not seem feasible that suppliers should also have to gather REGOs to use as evidence of green supply, particularly as there could be sites generating renewable energy that do not intend to apply for accreditation to request REGOs. This could cause significant additional burden for both suppliers and generators. Instead, green supply should be either supported by LECs or be a non-ROC product. ScottishPower would agree that where LECs are not available for a particular energy source, such as in the case of large-scale hydro, REGOs may be a good mechanism for providing transparency and traceability, but this should not be broadly imposed. Again, consumer choice should drive this.

It is also not clear how such an industry-wide standard of agreement would be achieved and whether this would become prescriptive or could be subject to future change. ScottishPower would suggest that this area would require extensive future discussion across industry before any such proposal is considered.

In conclusion, ScottishPower appreciates the intention of Ofgem in presenting the draft guidelines for revision, but does not agree that there is sufficient justification for revising the guidelines as proposed, particularly due to the legislation that currently exists,

covering both the marketing of green supply and the administration of renewable schemes such as ROCs/SROCs and LECs. ScottishPower take our environmental obligations very seriously, along with the marketing of our green supply products, and we fully recognise the importance of ensuring that products are correctly marketed to protect consumers. However we would propose that it is more sensible to allow suppliers to develop and innovate within the current regulatory framework of the ASA, OFT or others as appropriate.

Should you wish to discuss any of the information contained within our response, please do not hesitate to contact me, using the above details.

Yours Sincerely,

Pamela Kelly
Regulation, Legal and Commercial