



Response to Ofgem's Consultation on Guidelines for Green Supply

The Association of Electricity Producers represents electricity generators in the UK. Its membership comprises a wide range of companies using fossil, nuclear and renewable sources of energy to generate electricity. Ofgem's proposals will impact the Association's membership as, if successful, they will enable the full range of benefits from certain generating technologies to be differentiated and valued in the market.

There is a very wide range of views on the proposals within the industry. This response focuses on issues relevant to generators who might secure value from the scheme. Due to the complex nature of the debate the response is high level, commenting on the principles of the scheme rather than details.

The Association believes that renewable and low carbon electricity of all types should be able to be differentiated in the retail market, if there is demand from customers. Differentiation under a specific set of guidelines will ensure that any value consumers place on the benefits created by certain generating technologies can be realised in the market. Ofgem's research suggests that there is consumer demand for products offering renewable and low carbon electricity tariffs.

The Association considers that wherever possible existing mechanisms for verification of output should be used. We believe that Renewable Energy Guarantees of Origin (REGOs) should be used, where necessary, to demonstrate that electricity has come from a renewable source. For other low carbon electricity, generator declarations should be used. These systems are used for fuel mix disclosure and so would avoid imposing additional costs on generators securing value from the scheme.

We consider that Ofgem's guidelines for renewable energy and low carbon tariffs should not be overly prescriptive or complex. The guidelines should set out clear basic minimum requirements to be met in order for a tariff to be recognised by the scheme.

We do not consider that Ofgem's guidelines should contain measures relating to additionality beyond the once only allocation of low carbon/renewable supply. Measures above the minimum requirements set out in the guidelines, such as additionality, should be dealt with by an accreditation scheme.

We consider that the term 'green' should be avoided in future. Understanding of environmental issues amongst consumers has become increasingly sophisticated. The term 'green' is vague and could easily cause confusion. The aim of the guidelines should be to present the relevant attributes of each tariff in a clear and unambiguous way, allowing consumers to make a clear and informed choice.

We consider strongly that the body to run the accreditation scheme for renewable and low carbon tariffs should be selected through a competitive process. The Energy

Savings Trust should not automatically be chosen for the role; there are a number of other organizations who could undertake the task equally well.

We note that DEFRA's current proposals for the Carbon Reduction Commitment are likely to prevent the benefits of most renewable and low carbon generation from being valued by the scheme. This could have implications for the extent of the take up of renewable and low carbon tariffs by companies covered by the CRC.

The Association would be pleased to discuss further any of the points made in this response.

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