

BT RESPONSE TO OFGEM/ENERGY SAVING TRUST CONSULTATION ON GREEN TARIFFS

1 Introduction

BT welcomes the opportunity to contribute to the debate on Green energy tariffs and measures to encourage an open and consistent market for Green, low CO₂ and renewable energy, ensuring a stable market for investors in energy supply and providing encouragement to industry and commerce to include the carbon content of energy purchased in procurement decisions.

BT has been active on such issues for many years; we have included the Carbon content of electricity supply in our procurement processes since 1999 and have been working on a long term basis with our supply chain to decrease the emissions from our electricity purchase and use.

In the UK market we have contracted over 2.1TWh of renewable and low CO₂ energy as a critical part of our Carbon Strategy.

1.1 BT position toward the proposal

BT fully supports the concept of a clear market for low CO₂ and renewable energy with clear definitions and carbon labelling enabling all customers to make informed purchasing decisions.

BT fully supports UK Government policy of reducing greenhouse gas emissions and seeks to meet and exceed UK targets for its own operations.

Our ambitious targets were established on the basis of the internationally agreed guidelines on greenhouse gas reporting which allow purchased renewable electricity to be counted as zero carbon irrespective of any 'additionality' criterion. To introduce a requirement to purchase and retire ROCs would cause us to back track on our targets and is, we believe, misplaced for the following reasons:-

- it would place British industry at a competitive disadvantage in the international market place;
- there is no evidence provided that it would increase the supply of renewable electricity. In fact we predict it would have exactly the opposite effect as it would be substantially cheaper to specify high carbon electricity. The Government has a number of ways in which it can influence the market to increase the supply of renewable electricity including an increase in the renewable obligation;
- it is inconsistent with other Government initiatives e.g. the RTFO (Renewable Transport Fuel Obligation) which is about to launch - the government cannot surely expect motorists who fill up with green fuel, not to be able count the carbon benefit, due to the fuel supplier counting it towards their obligation. If Government applies a ruling to ROCs then the same applies to RTFO and vice versa.

Furthermore, BT has opposed the Government's recently published guidelines (subsequently withdrawn) which required the retirement of ROCs to prove additionality for zero carbon calculation.

BT believes that if ROCs were to be included within the assessment of zero carbon calculations of renewable electricity, then provided the ROCs are retired to OFGEM at the end of the year (and not resold), a zero carbon factor should be applied. BT suggests the proposal for ROCs (or a % of ROCs) to be completed cancelled/retired out the system, is not the right approach. This proposal is based on the principle of requiring new installations of green electricity supply over and above the legal requirement on suppliers to produce their RO. But such a system;-

- would not take account of buying green electricity from other European countries;
- would require the same principles to be applied to RTFO system and this is not practical – e.g. purchasing biofuel would not carry any carbon benefit as it would be part of the supplier obligation;
- would use a supply side measure to create a demand side disincentive to buying renewable energy; and
- would stimulate a switch to offsetting as ROC retirement would be prohibitively expensive.

What BT believes is important is that when a customer contracts to buy electricity they have clear information on the methods of generation, the carbon content and assurance that it is not being resold in some other way to another customer.

1.2 Consistency of Approach

The current emphasis on climate change is being reflected in a number of consultation papers on regulations, emissions trading schemes, standards and labelling.

We strongly urge the Government to ensure that these are properly coordinated, robust in their combined logic and will not only ensure proper accountability, but most importantly serve to drive the optimum behaviour by the electricity industry, business and consumers.

We therefore urge Ofgem and EST to consider this consultation alongside others such as the CRC.

2 Consultation Response

APPENDIX 1 - Summary of Questions and Response Template

This section summarises the questions raised throughout the consultation document to which we would like your answers. It would be helpful if you could use this template to submit your response.

No.	Question	Your Response
1	Do you support the proposed aims of the scheme?	BT supports the principle of an open and consistent market for all forms of electricity production in order to promote stable investment in renewable and low carbon technologies.
2	Are there any other aims you think should be included for the scheme?	In order to ensure the efficacy of implementation and degree of uptake, BT believe that the scheme should be kept as simple as possible.
3	Do you think that the accreditation scheme should be limited to renewable energy, or should it also cover other forms of low carbon generation where clear additionality can be demonstrated?	In our opinion it should include both true renewables and low/lower carbon technologies appropriately “badged” and with the carbon content clearly stated. For each electricity contract the customer should be supplied with information that clearly describes the method(s) of generation along with associated carbon content(s).
4	Do you agree that the broad definition of green tariffs should be adopted for the purpose of the accreditation scheme, covering green supplies, green funds and carbon offsets?	BT disagrees – only green and low carbon supplies should be covered by this scheme. Elements such as green funds, and more importantly offsetting, should not be included as they will lead to consumer confusion.
5	Do you agree that only carbon offset tariffs approved under Defra’s carbon	See question 4 above

	offsetting accreditation scheme should be eligible under the green tariff accreditation scheme? If so, should qualifying offsets be limited to renewable projects?	
6	Do you agree that the scheme should be voluntary?	BT disagrees – it should be mandatory. We believe that all electricity customers should be informed of the carbon content of the electricity they are purchasing. We believe that in the future there should no longer be a ‘grid average’ carbon content and that businesses reporting on their carbon footprints should use the specific carbon data provided by their suppliers.
7	Do you agree that the scheme should have UK coverage? If so, are there any specific issues to consider for the devolved nations of the UK in the design of the scheme?	BT suggests that the scheme should cover all UK electricity supply markets.
8	Do you think the scheme should be targeted at suppliers offering products to both the domestic and the business markets?	Yes. BT believes that full and proper carbon allocation can only occur if the scheme labels all electricity.
9	Do you agree that participating suppliers should be required to submit all their green offerings for accreditation?	BT agrees totally, as without accreditation the offerings can not be verified in terms of origin of generation and carbon content.
10	Do you agree with the main elements proposed for the accreditation Standards?	BT supports the principles of transparency and verifiable evidence of supply. We do not support any need to demonstrate additionality. If a company has contracted to receive zero / low carbon electricity and can demonstrate through this scheme that the same electricity has not been sold elsewhere, nor that others are claiming it through the general usage of ‘grid average’ carbon figures, then the business should be able to use the true carbon data to calculate its own carbon footprint.
11	How do you think additionality should be defined for the different types of offering, and what would you consider to be the minimum levels required?	For BT the critical issues are the traceability of the energy source and the carbon content and to ensure that all users are able to claim the carbon benefit of their purchasing decisions. This approach stimulates both an end to end accountability and the right behaviour in the customer base.
12	Do you support the broad thrust of the proposed accreditation and compliance aspects of the scheme?	BT wholeheartedly supports the suggested accreditation and compliance scheme and would endorse the use of stiff penalties and discipline procedures to ensure suppliers comply in a mandatory scheme.
13	Do you agree there should be a single certification mark for all accredited products?	BT believes that all electricity should be sold with appropriate carbon information. In the consumer market it may be useful to have specific labels / specifications for zero carbon and low carbon electricity.
14	Do you think that organisations buying accredited green tariffs should also be permitted to use the quality mark to promote their green	BT agrees – this should be allowed for CSR purposes and to enable like for like comparisons between companies claiming to acquire and use green energy. This provides an additional incentive to companies to purchase green tariffs providing further stability in the market.

	credentials?	
15	Do you have views on the composition of the proposed independent panel to advise on the development and/or ongoing management of the scheme?	BT would welcome an independent panel with a composition of OFGEM/Energy Saving Trust, End user Representative, Supplier Representative and NGO. In this way there is cross industry representation and support.
16	Do you agree with the proposed financing arrangements and indicative level of fees?	BT believes that accreditation costs should be borne by the suppliers.
17	Do you have any additional suggestions as to how the scheme might be promoted?	-

BT
September 2007