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The Energy Saving Trust is pleased to submit evidence for Ofgem's consultation on Green Supply Guidelines.

The Energy Saving Trust was established as part of the Government's action plan in response to the 1992 Earth Summit in Rio de Janeiro, which addressed worldwide concerns on sustainable development issues. We are the UK's leading organisation working through partnerships towards the sustainable and efficient use of energy by households, communities and the road transport sector and one of the key delivery agents of the Government's climate change objectives. Our response focuses on the key areas of the Energy Saving Trust's activities and related issues that are relevant to the consultation. Please note that this response should not be taken as representing the views of individual Energy Saving Trust members.

Our interest in the guidelines is in being able to provide information to consumers through our website and our advice centres. Currently, there is confusion amongst consumers on what constitutes a green tariff and we are unable to provide clarity or suggest actions on green tariffs that individuals should take in order to reduce their carbon footprint.

As you know we are consulting on how we could set up and run an accreditation scheme, preferably using the Ofgem guidelines as a basis. We believe that an 'at-a-glance' accreditation scheme would provide the comfort and clarity required by consumers and businesses.

We have answered the questions in order below. We have not however answered the questions for Chapter 3 as we do not wish to anticipate the outcome of our own consultation on this issue.

Please contact me on 020 7654 2418 or by email victoria.willis@est.org.uk if I can be of further assistance.

Yours sincerely

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Chapter Two

Question 1: What should Ofgem's role be in terms of providing guidance on green supply tariff

The need for guidelines on green tariffs arises because of customer confusion – the benefit of signing up to something that a supplier has labelled ‘green’ is unclear at the moment. Since suppliers have not, to date, self-regulated in this area, we agree that Ofgem should take a lead in providing guidance.

In time, the combination of an accreditation scheme, and enforcement of advertising claims by bodies such as the Advertising Standards Agency, may make the guidelines redundant, but at this point in time we believe there is a real need for Ofgem to help the suppliers reach consensus on guidelines.

Question 2: Should the guidelines be mandatory or voluntary?

We concur that voluntary guidelines are the more practical way forward, given the apparent willingness of suppliers to sign up to such a scheme; and the time that would be required to implement a mandatory scheme. We believe that enforcement by agencies such as the Advertising Standards Agency provides adequate protection for consumers in this area, provided suppliers do indeed sign up to a voluntary scheme.

Suppliers should sign up to the guidelines on the basis of all tariffs, rather than pick and choose which comply.

If consensus is not reached or suppliers do not sign up to the voluntary guidelines, we believe Ofgem should seriously consider a mandatory arrangement.

Question 3: Should tariffs to non-domestic customers be covered by the guidelines?

Yes. The markets for non-domestic and domestic customers are intertwined with the certificate mechanisms and both must be considered together: In order to ensure that the LEC has not been used as part of CCL exemption on a non-domestic supply, the domestic tariff supplier needs to retire the LECs as well as holding the requisite number of REGOs to cover the supply for it to be claimed as green.

Large non-domestic customers have the ability to negotiate contracts, but still have the same issues as individuals about whether the tariff they are signing up to is truly additional. The claims by businesses on renewable electricity supply illustrate the problem, with Datamonitor showing that almost three times as much renewable electricity is claimed by businesses than is available¹. The main driver at the moment for green supply seems to be businesses and it would be a mistake to exclude them from the guidelines.

¹ <http://www.datamonitor.com/~d82dfaa9091b4a17b0baa39b44de6bbc~/industries/news/article/?pid=AB68C7A5-E867-4E52-9D20-C91E00083AEC&type=ExpertView>

Smaller businesses are in a similar situation to domestic customers, without expertise or negotiating power they have the same issues about confusion with the products on the market.

Question 4: Should tariffs involving non-renewable or low-carbon technologies (including Good Quality CHP, clean coal and possibly nuclear) be included within the guidelines?

Our preference is that the guidelines (and particularly the accreditation scheme) cover only renewable energy as we believe that this is what most consumers equate with 'green'.

Since our preference is for a simple scheme which provides an at-a-glance accreditation mark, we do not believe it is possible to adequately differentiate between different types of tariff without making subjective assumptions about people's preference for different types of energy source.

Separate guidelines covering other non-renewable tariffs may be helpful in the future.

Question 5: Should suppliers include additional information on customers' bills to support the achievement of transparency?

Yes, however there needs to be a balance of information with simplicity. Our preference is to provide clear and simple data on bills, with back up information available on suppliers' websites, as well as through third parties such as Energywatch/National Consumers Council, and through the accreditation scheme.

The bill could include, for example:

- Fuel mix disclosure for the green tariff as well as the supplier's overall fuel mix
- The percentage of carbon being saved against the supplier's standard fuel mix
- For green supply tariffs or green funds: percentage of the individual consumers bill that is used to fund renewable generation
- For carbon offset: the percentage of the consumer's carbon emissions that are being offset.

Further information may be required if the green tariff is part of the accreditation scheme, but these criteria will be drawn up in development of that scheme.

Information not included on the bill, but as back up information on suppliers' websites should include:

- Fuel mix disclosure charts for each of their green tariffs within the context of their overall fuel mix
- Illustration of additionality
- Information about funds – what technologies, how much is invested per customer
- Information about what projects are being funded through offset tariffs

Again, further requirements for the accreditation scheme may be required and will be developed as part of that scheme.

Question 6: Should an agreed standard of evidence be defined and, if so, what should this be?

We agree with the analysis that using different certificates for verification may allow the same unit of electricity to be claimed by different suppliers, or by one supplier to different customers and that a standard approach would prevent this. We believe that the most appropriate requirement would be through REGOs for renewables, with the addition of LECs in order to avoid double-counting. Where LECs are used as evidence of supply, REGOs must also be held.

We believe it is important for specific types of renewables to be declared since customers may have preference to supporting certain types of renewable generation over others.

Question 7: Is it appropriate for requirements relating to evidence of supply to follow the same requirements as that required for evidence of supply for the fuel mix disclosure?

We agree that suppliers should ensure that the total generation sold as green supply does not exceed that claimed under fuel mix disclosure. This avoids double counting which may occur if LECs only are allowed as evidence of supply.

Question 8: Is Renewable Obligation Certificate (ROC) retirement an appropriate indicator of additionality?

For supply tariffs, ROC retirement is an appropriate indicator of additionality. We believe that it may be appropriate for the guidelines to only suggest (rather than require) methods of demonstrating additionality, with some examples. However, for the accreditation scheme there will need to be specific criteria against which to measure additionality and we believe that retirement of ROCs will be appropriate for supply tariffs.

Question 9: Do you agree that there should be clear rules covering the use of funds for transparency and verification and, if so, what should the criteria for this include?

Green funds and offsets from renewable projects should be more straightforward to measure additionality than for green supply tariffs. In these cases verification could be demonstrated by having minimum levels of premiums paid into a fund that is verifiably separate from the accounts of the supplier and independently audited. There will need to be criteria for expenditure of the fund and how the projects interact with the RO and international mechanisms (in the case of offsets). For heat projects, additionality should be straightforward, but future ROC generation from electricity projects will need consideration.

Chapter Three

Question 1: Do you agree with Ofgem's view that an "at a glance" mark is appropriate for green tariffs?

Question 2: Do you agree with Ofgem's view that the accreditation scheme should enable the "ranking" of tariffs or should it be a pass or fail?

Question 3: Is it appropriate for the accreditation rating to distinguish between carbon and other environmental benefits?

Question 4: How should the "stars" be allocated in respect of the carbon indicator and for other environmental benefits?

Question 5: Do you agree with the proposed criteria for the different stars put forward by Ofgem?

Question 6: What alternative criteria could be used?

Question 7: Do you agree with Ofgem's view that the scheme should apply in respect of:

- low carbon and renewable technologies;
- full range of environmental tariffs; and
- tariffs for the domestic and non-domestic markets?

Question 8: Do you agree with Ofgem's view that the scheme should be funded by suppliers?

We are not putting forward an opinion on these aspects of the accreditation scheme at this stage since we do not wish to prejudice the results of the formal Energy Saving Trust consultation on this issue. We will continue to liaise with Ofgem in development of the accreditation scheme and in ensuring that it fits with the guidelines for green supply.