

Ms. Clair Hogg
European Strategy and Environment
Ofgem
9 Millbank,
London,
SW1P 3GE

13 July 2007

Dear Ms Hogg,

Developing Guidelines for Green Supply

Pure Energi is grateful for the opportunity to participate in this consultation and to suggest the application of some of the findings of its work recently carried out for the European Commission.

Pure Energi is the European certification systems consultancy arm of Campbell Carr Ltd, a utilities consultancy based in Amersham. Pure Energi is a partner leading the technical specification work package within E-TRACK (see www.e-track-project.org), a multinational project co-funded by the European Commission under the Intelligent Energy Europe Programme. The Council of European Energy Regulators (represented by Ofgem) was an active member of the advisory group to the project.

The project is investigating the feasibility of a harmonised model for tracking generation attributes in Europe. It outlines a comprehensive approach for all attribute tracking requirements imposed by European and national legislation. The major benefits of such a tracking model are that electricity attributes (such as the fuel type used for generation and related environmental indicators) can easily be accounted for in the internal market; problems with multiple counting of attributes (e.g. from renewable energy sources) can be avoided; verification of tracking procedures can be simplified and cross-border trade of electricity and attributes facilitated. The tracking model is designed in such a way as to support European and Member State electricity policies.

The project provides a detailed insight into the requirements for the design and operation of tracking systems, which are set by European and Member States legislation as well as by market participants. A major result of the project is a blueprint of a European model for tracking electricity generation attributes, covering technical aspects (e.g. database and interface specifications) and non-technical issues, such as institutions and processes involved. The project involves partners with scientific expertise as well as electricity transmission system operators, regulators and market players, which will be able to work with the standard.

The model recognises the different uses of energy attributes and shows how evidence can be used consistently in support, disclosure and target schemes across participating States.

A green supply (as opposed to a fund) tariff is a specific sub-set of the fuel mix disclosure scheme and therefore should be demonstrated in the same way. A supplier should be required to provide a table similar to that of disclosure for each tariff. The supply licence requires disclosure to be at the licence level. This should be regarded as a minimum. The guidelines should recommend a table for each tariff. This implies a residual disclosure set for the non-specific tariffs in order to avoid double counting. Use of REGO data even allows the subdivision by renewable technology (or country of origin) to be demonstrated accurately.

Consultation Questions

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

Ofgem should encourage the use of best international practices in the delivery and allocation of evidence of attributes associated with energy supplied to consumers. In conjunction with the Advertising Standards Agency and the Trading Standards Agency, it should seek to ensure that consumers are actually being provided with the products sold.

Question 2: Should the guidelines be mandatory or voluntary?

The guidelines should be voluntary, but there is a requirement that the obligations of the Sale of Goods Acts are met.

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

The guidelines should cover all customers in order to provide a consistent basis and to avoid double allocation of attribute between different groups of consumer.

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

Yes. Any product that is sold on the basis of having specific attributes should be included. The only difference is the current availability of evidence.

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

It would be better to achieve transparency through the use of independently managed web-based registries as it is important to ensure evidence is correctly attributed to consumers. E-TRACK identified advantages of explicit tracking using a registry to include transparency and ease of reporting. It would not be technically difficult to employ registries at the supplier level to allocate 'redeemed' certificated evidence (i.e. REGOs and LECs) to specific consumers in order to provide a visible audit trail. Suppliers could provide an access code on customer's bills to allow them to see only their allocation on the website.

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

Directive 2001/77/EC established the Guarantee of Origin (GO) as the EU recognised standard of evidence for generation from renewable sources. This was extended by Directive 2004/08/EC to include high efficiency CHP. Given that the use of a GO is now mandated by Ofgem for fuel mix disclosure purposes concerning renewables, it would be inappropriate and inconsistent to have any lesser standard within green supply products.

The E-TRACK project identified an ideal situation of using GO for all electricity sources. Given the relatively small increment on the number of stations handled (about 8%) over those already registered for ROCs or REGOs, of which half (36) are single fuel stations and almost all are metered through central Settlements, this would not be difficult or expensive to achieve in Great Britain. However, self-certification, through generator declarations, for non-renewables is a reasonable, but not transparent, alternative.

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?

Where the product involves the delivery of renewable sourced energy (i.e. not a fund) then it would be inappropriate not to apply the same requirements of evidence. See previous answer.

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

Additionality falls outside the scope of the E-TRACK project. Our work elsewhere suggests it is a complex concept to deliver. The RO is a market based support scheme and whilst there is a feedback loop in retiring ROCs to increased support value to generators, this loop is weak and is unlikely to stimulate additional capacity development without significant volumes of ROCs involved over a sustained period. It would therefore be very difficult to demonstrate additionality in this manner.

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?

Funds are outside the scope of the E-TRACK project as they do not directly require the tracking of attributes. However, we believe the time delay between cash into a fund and its deployment requires considerable independent supervision. Supervision of funds may have parallels with charities or investments.

Should you have any queries relating to this response, I will be happy to provide further information.

Yours faithfully,

Chris Pooley

Leader of the technical specification work-stream within the E-TRACK project.