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7 August 2007

Dear Sir/Madam,

### **Consultation: Developing Guidelines for Green Supply**

This is a response to the above consultation and subsequent exchanges and dialogue as part of the programme of workshops conducted. Answers to the detailed questions in the June document are included as an attachment to this letter.

Initially we would like to commend Ofgem, as with the SLR, for the openness of the process and the way the views of relevant parties have been aired and taken into account. In keeping with the principles of better regulation this has facilitated outcomes, to date, that are transparent and proportionate to the issues at hand.

The progress made is reflected in an agreement to proceed on unique guidelines to cover renewable and low-carbon products respectively. While there is recognition that non-domestic customers welcome further guidance and clarity, it is debatable whether this translates into a further sub-division of the guidelines if it delays progress.

Going forward we think it is imperative Ofgem keep in their sights the overriding objective, the need for outcomes to be evaluated and tested from the consumers' perspective. The two sets of guidelines should be high level and not overly prescriptive, enabling suppliers to engage customers, who are confident about what is presented to them and that claims (renewable supply, low carbon content) can be substantiated and evidenced.

The guidelines should be a loose over-arching framework to complement the development of this market. The greater detail will be in the accreditation scheme, i.e. minimum requirements, but even here there should be no second-guessing of consumer preferences and the level at which they are prepared to engage with the market.

I hope this response is helpful and we look forward to the next stages of the process.

Yours sincerely,

Alan Hannaway

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## Developing the guidelines – key issues

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

Ofgem's role in developing guidance (now agreed to be focused on renewable and low carbon product offerings respectively) should be high level. It should be a role that facilitates the development of appropriate products by suppliers, but in a way that fulfils the ultimate objective of providing consumers with sufficient confidence and information to engage with the market at a level appropriate to them.

In this respect the guidelines should not be too prescriptive whether in the scope of the associated requirements or in potentially assuming consumers' potential level of engagement, particularly in respect of additionality.

2. Should the guidelines be mandatory or voluntary?

In keeping with the principles of better regulation the guidelines and the associated accreditation scheme should clearly be voluntary, to ensure that the renewable/low-carbon framework is proportionate and complementary to the evolution of this nascent market.

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

The feedback Ofgem have received from the non-domestic sector is that consumers would welcome some form of guidance, clarity in this area. However, given the sophistication of some customers in this sector, it should be very light touch and it is debatable, at this stage, whether separate renewable and low-carbon guidelines should be established as distinct from the residential versions.

The key dimension here will be for the guidelines to be flexible enough to recognise that more sophisticated customers, seeking tailored product offerings, will exist. In addition a key issue will be the treatment of LECs and the concerns expressed about double counting during the workshops that might be encountered by ensuring that in instances of renewable energy supply, the LECs follow the REGOs rather than a retirement mechanism.

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

As part of the workshops' dialogue it has been agreed that separate guidelines should be developed for low-carbon product offerings, not least to better facilitate consumer choice, particularly if they wish to engage solely with renewable based product offerings. So we agree that the kind of offerings outlined above should fall within scope, although as part of a separate framework, and subject again to being proportionate and not overly prescriptive in setting the minimum requirements to be met.

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

As stated previously the overriding objective is from the perspective of consumers to provide them with sufficient clarity and information to encourage them to engage with the market and choose products that best suit their own requirements. In this respect and in keeping with our overall view on the guidelines Ofgem should not be overly prescriptive in this area, allowing suppliers to differentiate their offers, subject to some minimum requirements in terms of the nature of any offer and the overall renewable / low-carbon framework.

Customers' energy bills are already very busy with information, much of it to satisfy other existing legal and formal regulation requirements. Given this it is unlikely that the bill is the appropriate place through which to achieve the transparency of renewable, low-carbon product offers.

It is important then, to fulfil the primary objective of the guidelines, that an appropriate balance is struck and that the information on product offerings given to consumers is not overly complex in the way it is presented. To use the bill as the means to provide such information clearly runs the risk of not facilitating greater understanding, given that it will be competing with other prescribed requirements for the consumer's attention.

6. Should an agreed standard of evidence be defined and, if so, what should this be?
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 believe there should indeed be an agreed, minimum standard of evidence and the dialogue within the workshops has arrived at an appropriate and proportionate outcome in respect of renewable energy supply, namely the use of REGOs. We would suggest that these should be UK backed REGOs to evidence the legitimacy of renewable energy supply, again to facilitate consumer understanding of the basis on which they are engaging and ensuring transparency, but question whether legacy hydro plant should fall within this category.

For product offerings in the low carbon category, then again the requirement should be proportionate and in keeping with Ofgem's general deregulatory agenda should not impose unnecessary and additional requirements on the relevant parties. In this context generator declarations on the source of the energy would again appear to be an appropriate mechanism and one in keeping with the existing and accepted means for evidencing the supply of power, the fuel mix disclosure.

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

The answer is a definitive no! Whilst ROC retirement is a form of additionality, it is not proven in terms of creating the necessary pull (i.e. it increases short-term value in the buyout fund but is unlikely of itself to trigger additional renewable generation build!). Consequently it should not, as is suggested by the EST, be put forward as a minimum requirement.

Indeed it may have the opposite effect in terms of one of the principle objectives of the proposed framework, in skewing the market towards high premium products, thereby discouraging a range of customers from engaging. In addition from a consumer perspective and the key objective of keeping things simple, it does not facilitate comprehension of the market and engagement with it, introducing instead a unnecessary level of complexity for consumers to assess what is being delivered on their behalf.

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?

Yes there should be clear rules, but again not overly prescriptive, because from our own perspective and the fund associated with our Juice product offering we already provide a form of independent verification via a third party.

The same is true of most fund based arrangements and so the emphasis should be on transparency and verification at a high level, with some flexibility in respect of whether requirements are met by some form of third party verification and/or a form of internal audit arrangement. The key being that suppliers can clearly demonstrate how the proceeds of the fund are being used and their link to accreditation under the renewable and low-carbon frameworks respectively.