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Dear Clair

CONSULTATION ON DEVELOPING GUIDELINES FOR GREEN SUPPLY

The Scottish Environment Protection Agency (SEPA) welcomes the opportunity to comment on Ofgem's Consultation on Developing Guidelines for Green Supply. SEPA considers climate change to be the greatest threat to the environment and broadly welcomes the aims of the draft updated guidelines. SEPA believes that the main aims of revised guidelines should be to provide:

- further stimulation of renewable electricity generation in addition to that required by the renewables obligation (R.O.) through the continuing development of a robust and regulated market;
- a reduction in the likelihood of multiple selling of 'green' electricity; and,
- simpler and more relevant information regarding green supply tariffs to customers and, thus, increase credibility and raise confidence.

However, SEPA is also concerned that updated guidelines may increase unnecessarily complex rules and potentially exacerbate the existing confusion surrounding 'greener' electricity supply. In addition, a voluntary accreditation scheme may not serve to provide the level of assurance necessary to sceptical customers and other stakeholders. SEPA believes that there is a danger of further complicating an already complex market.

Detailed answers to specific consultation questions are given in Annex 1. As a public body committed to openness and transparency, SEPA feels it is appropriate that this response be placed on the public record. If you require further clarification on any aspect of this correspondence, please ask for Evan Williams, Sustainable Development Unit Manager, at the address and number at the bottom of this page.

Yours sincerely



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Annex 1

DETAILED COMMENTS BY QUESTION**Developing the guidelines – key issues**

Q1	<p>What should Ofgem's role be in terms of providing guidance on green supply tariffs?</p> <p>As the National Consumer Council reported, there is considerable customer confusion surrounding the current green tariff supply market. To bring a degree of clarity and credibility to this market, SEPA believes that Ofgem should develop and 'own' updated guidance on green supply tariffs.</p> <p>Ofgem should also assume the role of arbiter between suppliers and customers by reducing the complexity of choice available to customers and ensuring that suppliers of green tariffs adhere to updated guidelines.</p> <p>In addition, Ofgem should fully support the proposed accompanying accreditation scheme.</p>
Q2	<p>Should the guidelines be mandatory or voluntary</p> <p>Given the complexity of this rapidly developing market and the problems of providing evidence for additionality and transparency, SEPA believes that any guidelines in this area should be mandatory.</p> <p>It is SEPA's view that any supplier operating in this market must comply with the updated guidelines as a minimum and that a compulsory accreditation scheme, verified by independent third parties, is applied.</p>
Q3	<p>Should tariffs to non-domestic customers be covered by the guidelines?</p> <p>The guidelines should be extended to the non-domestic sector. Given the escalation of climate change up the political and environmental agendas, and commercial/public sector organisations' aspirations to engage with the CSR agenda, it is very important that non-domestic sector are covered by the guidelines. Their additional financial influence and, often, leadership should further stimulate the green tariff marketplace.</p>
Q4	<p>Should tariffs involving non-renewable or low carbon technologies (including good quality CHP, clean coal and possibly nuclear) be included within the guidelines?</p> <p>No. Enough complexity and confusion exists already without additional complication presented by sub-categories of 'greener' electricity. A possible alternative is to split guidelines and any associated third party accreditation schemes to allow for 'greener' existing generating technologies as well as 'green only' tariffs. However, these must be absolutely transparent to the customer through fuel mix disclosure obligations.</p>
Q5	<p>Should suppliers include additional information on customers' bills to support the achievement of transparency?</p> <p>Yes. Given the NCC and Energy Watch reports, transparency should be a key element of updated guidelines. In particular, SEPA believes that consumers should be made absolutely aware that they are already supporting renewable electricity generation through the Renewables Obligation demands on their suppliers.</p> <p>Fuel mix disclosure charts should appear on all billing information, not just annually.</p> <p>It is recognised that additional information on transparency of supply will be</p>

	potentially confusing to many customers but in the absence of other mainstream disclosure opportunities, including such information on billing data is the only viable catch-all method. The main difficulty will be presenting supplementary data in a format that is meaningful and understandable by the customers.
Q6	Should an agreed standard of evidence be defined and, if so, what should this be? SEPA recognises that an agreed common standard of evidence should be defined. In terms of additionality, SEPA believes that evidence must be retained by suppliers to verify total amount of generation sold under green supply tariffs. Such evidence must also prove that amounts do not exceed renewable generation claimed under the fuel mix disclosure obligation. Double counting of LECs, ROCs and REGOs or combinations thereof towards green tariffs must be avoided.
Q7	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? Broadly, yes.
Q8	Is Renewable Obligation Certificate (ROC) retirement an appropriate indicator of additionality? Yes.
Q9	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? SEPA agrees with Ofgem's previous consultation position that stated that the sale of green supply tariffs should be kept separate from the general accounts of suppliers and that such funds should be independently audited.

Independent Accreditation Scheme

Q1	Do you agree with Ofgem's view that an "at a glance" mark is appropriate for green tariffs? Yes, in principle. Although SEPA disagrees over the inclusion of tariffs that include carbon off-setting and so called cleaner fossil fuel generation. Other market mechanisms should be used to force existing generation from fossil fuel sources more efficient. To avoid the additional complexity inherent in the accreditation scheme proposed by Ofgem, SEPA would prefer an entirely separate system to encourage more efficient generation from fossil fuels.
Q2	Do you agree with Ofgem's view that the accreditation scheme should enable the "ranking" of tariffs or should be a pass or fail? As with earlier comments at Q 4 above (under, "Developing the guidelines – key issues"), a possible solution to this problem could be a two track accreditation system reflecting updated guidelines. One would be to accredit green tariffs at a pass or fail level while the other would be to 'rank' existing conventional generation in terms of its comparative CO2 emissions and other environmental impacts.
Q3	Is it appropriate for the accreditation rating to distinguish between carbon and other environmental benefits? No. SEPA believes that green tariffs should be primarily associated with carbon reductions.

Q4	<p>How should the “stars” be allocated in respect of carbon indicator and for other environmental benefits?</p> <p>As above, SEPA believes that the main thrust of any accreditation scheme should be to address actual carbon emissions at point of electricity generation rather than promote additional environmental benefits.</p>
Q5	<p>Do you agree with the proposed criteria for the stars put forward by Ofgem?</p> <p>No.</p>
Q6	<p>What alternative criteria could be use?</p> <p>Carbon neutral generation only for any major primary scheme. As with earlier comments at Q 4 above (under, “Developing the guidelines – key issues“), a possible solution to this problem would be a two track accreditation system reflecting updated guidelines. One would be to accredit green tariffs at a pass or fail level while the other would be to ‘rank’ existing conventional generation in terms of its comparative CO2 emission and other environmental impacts.</p>
Q7	<p>Do you agree with Ofgem's view that the scheme should apply in respect of:</p> <ul style="list-style-type: none"> -low carbon and renewable technologies -full range of environmental tariffs -tariffs for the domestic and non-domestic markets <p>SEPA believes that the scheme should apply to renewable technologies only and that it should also address the non-domestic markets.</p>
Q8	<p>Do you agree with Ofgem's view the scheme should be funded by suppliers</p> <p>Yes.</p>