

9<sup>th</sup> July 2007

Ms Clair Hogg and Ms Hannah Cook  
European Strategy and Environment  
9 Millbank  
London  
SW1P 3GE

Dear Ms Hogg and Ms Cook

### **Developing Guidelines for Green Supply – Ofgem consultation.**

We are responding to the above consultation and the comments below are made on behalf of Slough Heat and Power Ltd (SHP). SHP is one of the country's leading biomass generators having converted two coal fired boilers to run on local, clean wood chips and installed a third boiler to burn waste derived fuel and wood chips. With a total electrical output of some 50 MWe and a heat load of around 20 MWth, we are one of the UK's largest renewable energy facilities. In recent months, we have seen a great increase in interest in renewable energy and carbon among our business customers. We believe that clarity on green tariffs is timely and welcome the opportunity to comment on this consultation.

### **Our general comments are as follows:**

Our main comments on the consultation are as follows:

- The principles of simplicity and transparency are important for suppliers to effectively provide green tariffs and, most importantly, for customers to understand and have confidence to buy these products.
- Green tariffs must provide stimulus to investment in renewable energy generation over and above the Renewables Obligation.
- It is our belief that green tariffs should be restricted to renewable technologies. Although other non-renewable generation technologies can provide relatively low carbon energy, we believe that many customers will not welcome inclusion of such technologies – particularly nuclear – and this may jeopardise the uptake of green tariffs. Moreover, including non-renewable technologies greatly increases the extent of subjective comparisons required, which will complicate and obscure the tariffs.
- There should be no distinction made between renewable technologies. However, we do think that this an excellent opportunity to include heat/cooling generated from renewables, to raise the profile and provide some support to this sector that, despite the significant carbon impact of heat/cooling, has been neglected.
- We believe that green tariffs should be a pass/fail system. We foresee great dangers in a five star system that requires complex and subjective comparisons within and between different technologies.

## **Chapter 2.**

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

It is clear that self-regulation is not working, many green tariff offerings are not transparent and do not provide “additionality”, and considerable scepticism is developing among residential and business customers. Ofgem has a role in providing initial direction via guidance and ongoing assessment and reporting of market impacts. Ofgem must ensure that the chosen way forward will dovetail with the RO which should remain the principle means of supporting development of the renewable energy industry in the UK. We believe that Ofgem has a key role in providing detailed guidelines for green supply tariffs and monitoring ongoing operation and accreditation of a scheme.

**Question 2. Should the guidelines be mandatory or voluntary?**

Mandatory: any green tariff offering on the market should comply with overall minimum requirements.

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

All customers should be covered. We have seen a huge increase in recent months in environmental issues among business but interest is not necessarily matched by knowledge. We do not believe that businesses understand the issues and can negotiate them.

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

We recognise an overall goal is carbon reduction. However, a workable scheme must be simple, transparent and “additional”. Including CHP, clean coal or nuclear would greatly increase the extent and degree of value judgements that need to be made. The scheme should thus include ONLY RENEWABLES.

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

Provision of extra information on bills could be a voluntary requirement, not a minimum requirement for participation. We believe most customers will want the comfort that by signing up to their green tariff they are “doing their bit” and they would not read detailed information on bills. An exception will be organisations that participate in the forthcoming Carbon Reduction Commitment, who may require quantification of carbon impact from their electricity supplies.

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

Yes, this should be based around current RO and LEC rules for fuel mix disclosure.

**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?**

The fuel mix disclosure obligation is a sensible basis for providing evidence. The standard needs to be dictated by the policy towards “additionality”.

**Question 8. Is ROC retirement an appropriate indicator of additionality?**

Yes. Household name companies which are large energy users have recently declared “carbon neutral” goals. These companies could purchase tariffs that include ROC retirement. This could lead to a large volume of ROCs being retired and price signals to the renewable energy industry. Although issues are complex and potentially confusing, we do consider that ROC retirement could be a significant factor to provide “additionality”.

**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?**

We believe that “ADDITIONALITY” IS FUNDAMENTAL. If a customer’s purchase of green energy is simply an exercise in matching existing renewable generation and provides no stimulus for investment in extra capacity, then this has no value! More study is required to determine if ROC retirement will raise the value of ROCs and stimulate the market. We consider that fund-based systems that show a direct link between a customer’s purchase of green energy and investment in extra capacity to be a good way of proving “additionality”.

**Chapter 3.**

**Question 1. Do you agree with Ofgem’s view that an “at a glance” mark is appropriate for green tariffs?**

Yes.

**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?**

Pass or fail versus a set of minimum requirements. There may then be extra voluntary requirements, such as information on customers bills, that suppliers can choose to offer. We believe that issues are too complex and subjective to implement a workable ranking system.

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

We do not believe rating is workable. We do consider that overall minimum requirements for attaining an accreditation pass should embrace a wide range of environmental issues.

**Question 4. How should “stars” be allocated in respect of the carbon indicator and for other environmental benefits?**

Answers to this question will inevitably be objective and diverge hugely. For this reason, we do not consider a star system to be workable.

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

No.

**Question 6. What alternative criteria could be used?**

No response.

**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?**

The scheme should apply to renewables offerings for all customers. Pass / fail minimum requirements should have a holistic approach to environmental issues, particularly in respect of renewable technologies that currently do not qualify for ROCs, e.g. energy from waste and large hydro.

**Question 8. Do you agree with Ofgem’s view that the scheme should be funded by suppliers?**

Keeping the scheme as simple as possible will minimise any costs. Any costs should be proportional so as not to disadvantage small operators.

We trust that the above comments are helpful. As we are a good example of a renewable CHP embedded generator we would be pleased to discuss our comments in more detail and would welcome a visit to our site if this was felt to be of assistance.

Yours sincerely

**Dr Andrew Ellis**  
**Deputy Managing Director**