

9th January 2008

Final submission to Ofgem's consultation: "Developing Guidelines for Green Supply"

The Carbon Trust welcomes Ofgem's consultation on "Cutting the green customer confusion". Transparency will be greatly improved if the guidelines are fully implemented, but we believe more could be done to prevent double counting and achieve additionality.

Transparency

We agree that transparency will be increased and double counting reduced by requiring REGOs to underpin all renewable tariffs and the retirement of associated LECs for domestic customers. We also strongly support the requirement that all tariffs of suppliers include the information specified. As you propose, this is imperative to prevent suppliers "slicing and dicing" their fuel mix. However, the guidelines are currently ambiguous and we suggest that the guidelines should be made clearer on this requirement. Guidelines 1.8/1.39 require a "fuel mix disclosure chart for the renewable/low carbon tariff...". It should be made clear that the fuel mix disclosure chart is also required for all a supplier's tariffs (as specified in guidelines 1.9/1.40).

However, we believe that not making the guidelines mandatory for all suppliers could impair transparency at point of sale. Customers will have no way of comparing the tariffs of a company that has signed up to disclose information to one that has not, and this is likely to lead to double counting issues identified below.

Double counting of carbon benefit

If reporting of tariff emission factors is not made mandatory for all suppliers there is likely to be double-counting of the carbon benefit of the UK's renewable capacity. Corporate customers of non-participating suppliers will report associated emissions using the national grid average emissions factors published by Defra (even though their supply might have significantly higher emissions - e.g. for a coal tariff). The grid mix emissions factor takes account of the UK's generation mix - if the low carbon elements of this mix have been sold to particular customers (who make carbon claims on that basis) that benefit should not also be conferred on those organisations calculating their emissions using the grid mix average. Unless all suppliers publish emissions factors for all tariffs it will not be possible to ensure consistency of emissions reporting across UK consumers and businesses and the carbon savings will be counted twice.

This risk is amplified by the fact that the suppliers that are most likely to opt out of Ofgem's proposed guidelines are the very suppliers that are likely to have the highest emissions.

It is crucial that Ofgem's tariff guidelines and Defra's Corporate Reporting guidelines link up to close this potential loop-hole and ensure that all corporate

emissions are calculated on a consistent basis, in a way that prevents double counting across the UK.

This is a particularly important issue for businesses, including the Carbon Trust's customers, many of whom are key purchasers of green tariffs.

Additionality

We agree with the stated aim that the guidelines should support additionality. However, additionality has not been adequately defined in the guidelines and the minimum requirements of the guidelines do not appear to confer any additional environmental benefit (though optional additionality features are specified). The minimum additionality requirements should be more clearly articulated.

In addition we believe the price restrictions placed on tariffs (guidelines 1.28 and 1.53 in the appendix) may be unhelpful. The purpose of increased transparency is to enable business and domestic customers to make informed purchasing decisions and potentially to send a price signal to suppliers about the value placed on renewable supply. Artificially limiting the price of renewable tariffs could negate this effect and undermine the benefits of increased transparency. We therefore request further investigation into the restrictions placed on price premiums and a clearer statement of additionality requirements more generally.

Conclusion

We welcome the use of REGOs and retirement of LECs for domestic customers as important steps to increase transparency. We also support the requirement that participating suppliers include the emissions factors for all their tariffs. We strongly recommend that Ofgem takes the extra step and makes emission factor reporting mandatory for all suppliers across all tariffs to prevent double counting - Ofgem and Defra must remain linked up on this issue. If these steps are not taken Ofgem risk creating a system which actively enables double counting of the carbon saving benefit of the UK's renewables capacity - end users will calculate their emissions based on their tariff emissions factor, or the grid mix average - whichever is more favourable. This would be a backwards step.

Finally we recommend more be done to promote additionality.