

Dear Clair,

Cutting the green customer confusion—next steps

Thank you for the opportunity to comment again on this important initiative.

The Association continues to support Ofgem's activity in this area believing it to be a very necessary intervention to bring clarity for producers, as well as suppliers and consumers, in an area of the market where the industry has not been able to do so.

As such we see it as Ofgem's role to establish a workable, transparent set of guidelines with the industry can implement and eventually manage itself, and we believe you have made excellent progress towards this outcome with the "Next steps" document.

Work should be undertaken to implement the proposals quickly.

Our response to the consultation questions is set out on the following pages. I would be pleased to develop these comments further as required.

Yours sincerely

A handwritten signature in black ink, appearing to read 'G Meeks', with a stylized, flowing script.

Graham Meeks

Director

Specific answers to the questions:

1. **Do you think that the provision of greater information will empower customers to make more informed decisions regarding their preferences associated with supply tariffs, thereby providing an indication to suppliers of customer demand for renewable or low carbon forms of generation?**

Yes, provided it is consistent. However, greater information will only be effective if information is easily accessible, clear and accurate. This information should include fuel mix information for the particular tariff a customer is signing up to and the suppliers fuel mix as a whole at least annually.

2. **Do you consider it appropriate for the guidelines to be voluntary where companies “sign up” to comply with both the guidelines and accreditation scheme?**

No. It may be reasonable for certain aspects of the guidelines to be voluntary but other aspects rely on all suppliers providing consistent information in a similar way. Suppliers marketing tariffs as renewable should be substantiated by REGOs to eliminate risk of double counting.

Suppliers' claims about tariffs should be audited and monitored by an independent body. This should provide consumer confidence, which should strengthen demand for these tariffs.

3. **Do you think that the guidelines, as currently drafted, are appropriate for non-domestic customers or would changes be required to facilitate this?**

The same principles should apply. The detailed arrangements with regard to low carbon offers to domestic may need specific consideration.

4. **Do you think that the guidelines, as currently drafted, are useful for companies to market their corporate social responsibility?**

Broadly, yes.

5. **Do you consider that it is appropriate for separate sets of guidelines to be created for tariffs sourced from renewable generation and those sourced from non renewable low carbon generation?**

Yes. Irrespective of this, the renewable content and fuel mix of any tariffs should be made clear to the customer.

6. **Do you think that it is appropriate for suppliers to provide information to customers regarding the contributions that they are already making to government sponsored environmental programmes?**

Suppliers would ordinarily elect to do this.

7. **Do you consider that information regarding the environment benefits associated with “green” supply tariffs should be provided to customers in a standardised format, and if so, what key information should be made available by suppliers to customers at the point of sale?**

Absolutely. The key information should include the fuel mix and renewable content of the tariff and the fuel mix and renewable content of the supplier overall. It should also be clearly sign-posted where further information can be found about the fuel mix of the supplier's other tariffs.

8. **Should evidence of supply be linked to fuel mix disclosure obligations, with the sub-division of renewable generation to identify a particular technology or source.**

Yes.

- 9. Should LECs be provided by suppliers in respect of renewable or low carbon tariffs where available?**

Yes.

- 10. What in your opinion would be the costs associated with the administration of a centrally administered “green” fund?**

The Association has no fixed opinion.

- 11. Do you agree with our assessment of the five options available to measure additionality including BE’s and Centrica’s proposal?**

Yes. The focus should be on ensuring that supplier’s claims about their products are reasonable and accurate, thereby not distorting the market against other low-carbon offerings.

- 12. Do you think it is appropriate that renewable tariffs should comprise 100% renewable electricity or a stated percentage?**

Either should be allowed. It is unclear how tariffs with a renewables content of less than 100% but higher than the standard percentage could be prevented if they were marketed appropriately.

- 13. Is it appropriate to rate supply tariffs by their carbon intensity to allow an at-a-glance comparison of different offerings made by each supplier as well as competing tariffs across different suppliers?**

Yes.

- 14. What is an appropriate treatment for electricity that is not supported by a REGO or generator’s declaration in order to calculate a tariff’s emission intensity?**

The objective should be on the supplier if it wishes to evidence a low carbon intensity. Where such evidence—which should include Lecs—is not forthcoming, a separately set value should be assumed that reflects no carbon benefit.

- 15. Is it appropriate to calculate carbon intensity using standardised emission factors at the point of generation, and recognising the lower emission of certain technologies e.g. CCS and CHP?**

Yes.

- 16. Should CCS be treated as a low carbon technology or should the carbon sequestered be included in the calculation of emission intensity?**

The Association does not have a view on specific technologies, but an enduring regime should be an inclusive one that can also adapt to technology change overtime.

- 17. Are the illustrative bands presented in this document appropriate? If not, how should they be amended?**

Yes, they are appropriate.

- 18. Who should be responsible for setting the low carbon bands?**

The independent body charged with monitoring and auditing should be responsible.

- 19. Should the bandings adjust over time to reflect a growing commitment to reduce the carbon intensity? Are the 2020 or 2050 targets the most appropriate basis on which to make these adjustments?**

The carbon bands should be revised over time—however any changes must be infrequent and mindful of the long-term nature of power station investments. For renewable tariffs the thresholds will need to be adjusted as and when targets change.

20. Do you agree with our proposals to progress compliance with the guidelines and development of the accreditation scheme?

While we support the “road testing” of the guidelines, February 2008 appears to be a very short timescale to fully consider responses to the consultation and deliver a set of guidelines taking into account points made in the responses.