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Dear Clair

Cutting the green customer confusion – next steps

EDF Energy welcomes the opportunity to respond to this timely and important consultation. We support Ofgem's objective of encouraging the take-up of renewable and lower carbon tariffs by providing greater transparency. Providing the tools that allow consumers to make informed choices is a sensible approach. However, the tools must be relevant to the consumer and we are concerned that some of the proposals, especially the proposal to link Fuel Mix Disclosure (FMD) to the individual product, will increase rather than alleviate confusion.

Industry discussions over the last six months have been extremely helpful and we commend Ofgem for making real progress. However, we feel it is premature to bring the new low carbon guidelines into force from Q3 2008. (Note that this timescale should be feasible for the implementation of the renewables guidelines.) This is because the key beneficiary of the low carbon guidelines are corporate consumers yet the focus of our discussions to-date has been domestic consumers. Any confusion that does exist in the industrial & commercial (I&C) sector is primarily caused by inconsistencies in government policies and reporting guidelines rather than the lack of information provided by suppliers. Until the various schemes and pieces of information are designed to work coherently and consistently together and provide real benefits for corporate consumers, we see little value in introducing another layer of administration.

It also needs to be recognised that the domestic market is considerably different to the I&C market and a "one-size fits all" approach will not work. On the contrary, this approach may be detrimental to both sectors as they have different drivers and motivation for purchasing renewable electricity. We strongly recommend that the key principles outlined in the guidelines apply to both sectors but the prescriptive requirements are limited to the domestic sector. This could be achieved by simply removing the detailed requirements from the guidelines and incorporating them into the verification scheme.

It is important that the revised guidelines provide the basis of the verification scheme and that the two fit seamlessly together, forming part of one cohesive initiative. In the domestic sector, where customers may find the range and type of products confusing, it is crucial that the guidelines and the scheme are based on the three key principles of verifiability, transparency and additionality. The revised proposals address the first two requirements but we feel that

Ofgem has missed an opportunity to go further on additionality. We agree that it should be up to the suppliers to demonstrate additionality, but particularly in the domestic sector making it a pre-requisite for the quality mark would allow consumers to make "greener" energy choices more easily.

We remain concerned that a number of requirements in the draft guidelines are poorly defined or do not meet the objectives. For example:

- the basis for being able to charge a premium for a renewable or low carbon products is unclear, due to the potential incompatibility of obligations relating to supplier and customer obligations;
- unnecessary prescription regarding the format in which data should be provided to customers; and
- how forward-looking product data will be reconciled with FMD information which is, by its very nature, retrospective.

We must not lose sight of the primary objective of this consultation. The reason we are trying to revise the guidelines and set up a verification scheme is to address the lack of domestic consumer confidence, driven in large part by the on going negative media coverage of green tariffs. Before any new measure is adopted, Ofgem (and industry) must be certain that it will meet this objective. Clarity, simplicity and relevance are the three metrics we have used to assess the proposals.

In the attachment, we explain our approach to making sustainable choices. Answers to the individual questions posed are also included in the attachment. Where our views differ from those of Ofgem, we recommend simple pragmatic solutions that we believe will deliver the needs of consumers.

I hope you find our comments useful. If you have any questions or wish to discuss further, please contact me on 020 7752 2423.

Yours sincerely

Mari Toda
Gas and Electricity Policy Manager

EDF Energy response: Cutting the green customer confusion – next steps

Questions from chapter 3

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

Domestic customers

The provision of relevant (rather than greater) information may empower customers to make more informed decisions regarding their environmental preferences associated with supply tariffs but unnecessary information will cloud the key issues causing more confusion. We welcome the introduction of information that provides clarity to domestic customers and allows them to compare product offerings. However, we firmly believe that detailed information on existing policy instruments such as the Renewables Obligation (RO) and Carbon Emissions Reductions Targets (CERT), which are very complex, would hinder rather than help support the key objectives.

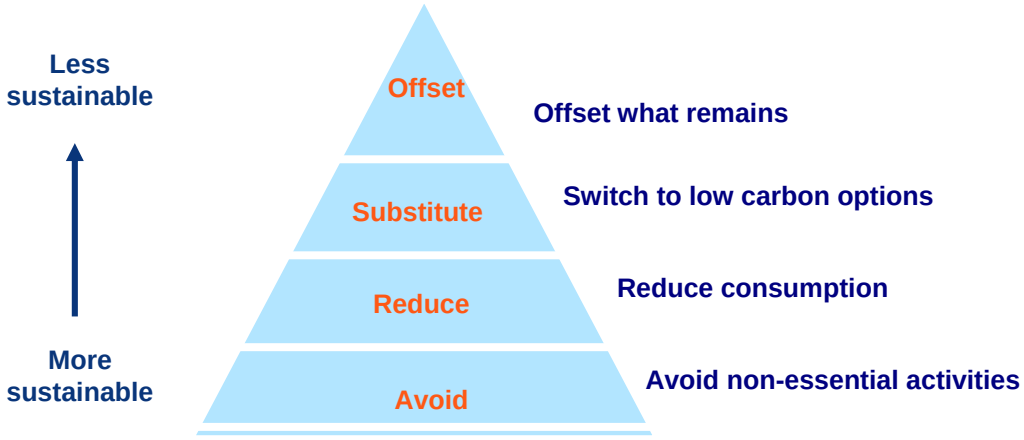
Unlike the I&C sector, domestic consumers have so far shown very little interest in renewable / low carbon electricity tariffs. Our product uptake suggests that while awareness levels of climate change and general environmental issues may be rising, interest in renewable / low carbon products remain low. We are also finding that those consumers who express an interest in these tariffs are generally not prepared to pay a premium for them.

Our findings are consistent with those found in literature review of buyer behaviour studies[1] that examined willingness to pay for electricity generated from renewable sources or sources that would produce less harm to the environment than conventional sources. While these studies identified that the percentage of those who are willing to pay a premium ranged from 30 to 93 percent, actual customer participation was more like 4 percent, but generally participation rates were closer to 1 percent. It was also noted that percentages expressing willingness to pay tend to be higher in surveys than in reality when provision of a public good (or goods deemed to have similar qualities) is involved.

The take up of renewables or low carbon tariffs is only one of the many ways in which consumers can contribute towards tackling climate change. Although we appreciate that this consultation is about alleviating customer confusion in green supply, we believe that it will be more beneficial for consumers to understand how they can make sustainable choices through a package of measures rather than receiving further information on policy instruments such as the RO and the CERT. The diagram below illustrates our approach to making sustainable choices. We encourage our customers to avoid and reduce consumption before switching to a lower carbon option. In our view, the holistic approach and prioritisation of the package of measures

[1] Farhar (1999); Farhar and Coburn (1999); Farhar and Houston (1996); Zarnikau (2003); Swezey and Bird (2001).

are fundamental to sustainability; focussing on supply tariffs and their carbon intensities is the wrong approach.

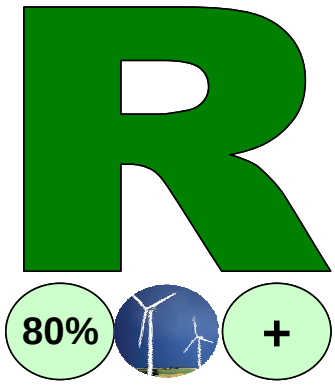


Instead of relying on customers to signal their carbon preferences through their supply tariff choices, we have committed to proactively reduce the carbon intensity of our electricity production fleet by 60% by 2020. Through Our Climate Commitments, we have also committed to reduce the proportion of CO_2 arising from our customers' energy consumption by 15% by 2020. Rather than just relying on the promotion of renewable / low carbon tariffs, we will achieve this by offering a variety of products which allow our customers to reduce the CO_2 associated with their energy usage. For example, we will build on the success of our award winning Read. Reduce. Reward scheme which rewards customers for reducing their consumption. We will also promote highly efficient appliances, develop micro domestic generation products and install home insulation. Moreover, we will provide more information to our customers on their energy usage through installing intelligent metering and providing innovative ways to help them control their consumption.

We anticipate that the lack of interest in renewable / low carbon tariffs from domestic customers will gradually change as they begin to understand and appreciate the relationship between their electricity consumption and climate change; and we hope our latest advertisement "it's not easy being green" will effectively communicate this message to them. We also believe that any customer confusion regarding these tariffs should be alleviated through a clear, simple message. It must not be diluted by superfluous or complex information; this will lead to further confusion. In this respect, we are sceptical of the extent to which domestic customers would use Fuel Mix Disclosures (FMD), product carbon intensity labels and general environmental information to assert their environmental preferences and judge electricity supply tariffs. Instead, we propose that a simple badge that guarantees the integrity and origin of the electricity and allows consumers to compare product offerings in a meaningful way is developed – see diagram below.

We believe a badge should incorporate the key features of the renewable / low carbon tariff. For example, the 'R' could demonstrate that the renewable tariff complies with the guidelines (evidence of supply). The '+' could show that additionality has been demonstrated to the necessary standard. The picture and the percentage could be used to demonstrate the type of

renewable technology used and the percentage mix of the renewable element of the tariff. If need be, a carbon rating of the tariff could also be depicted in the design. This is an illustrative example to show that the key pieces of information can be incorporated into a simple badge rather than require suppliers to provide a plethora of information.



More importantly, we do not think that the guidelines should be so prescriptive. It should be up to the verification scheme to demonstrate that the requirements of the guidelines are met.

We believe Ofgem can, however, add value to the guidelines by setting out the framework for ROC retirement. The guidelines currently only state that if suppliers use the deletion of ROCs to demonstrate additionality, it should be deleted from the Register or held by other parties. We see real benefit in Ofgem going further to explain the necessary procedure to ensure transparency for ROC retirement which would also need to include information on the supply volume of the particular product to allow transparency on any claim of percentage retirement.

I&C customers

In the I&C sector, customers are very well informed about the different energy options available to them when considering how to reduce their negative environmental impact of their activities and fulfil their CSR targets. Details are discussed and negotiated in depth so the provision of standard information that is not specific to their needs is of little relevance to them. We recognise, however, that independent SME customers may need similar information requirements to domestic customers and we would support that a similar approach is extended to them.

In the I&C sector, we also have a very clear idea of customer demand for renewable energy through customers' invitation to tenders and market research. For example, according to a recent Datamonitor report, about 3,500 of the country's biggest energy customers – from chemical producers to retail chains and banks – want to buy 34 terrawatt/hours (34bn kilowatt/hours) of electricity from renewable sources in 2007; that is 44% more than the 19.2TWh of Renewable Levy Exemption Certificates (LECs) issued by Ofgem in 2006 and far exceeds estimates for 2007. These two sources are sending a very clear message to us that it is essential to invest in new renewable capacity along with supporting third party developers via purchase contracts.

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?

Yes, we do. In particular, we welcome Ofgem's view that these guidelines should be owned by the industry and will be a living document that will reflect the needs of the market. We also think that the voluntary nature of the guidelines will provide suppliers with the flexibility to sign-

up to the relevant section of the guidelines. For example, if a supplier was not offering any low carbon tariffs, it could simply sign up to the renewables section of the guidelines.

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

No, as explained above, we think that the guidelines do not reflect the needs of I&C customers. In the main, I&C customers are very well informed about the carbon intensity of different electricity generation technologies. Therefore, the guidelines will have limited benefit to these customers in terms of transparency. The sole advantage of the proposed guidelines is that they will help non-domestic customers to understand the benefits of low carbon fossil CHP electricity better than they do currently.

We strongly recommend that the key principles outlined in the guidelines apply to both sectors but the detailed requirements are limited to the domestic sector. Alternatively, the guidelines could be redrafted to meet the real needs of I&C customers which would need to ensure that they fully compliment other existing mechanisms such as the Climate Change Levy (CCL) Regulations and the proposed Carbon Reduction Commitment (CRC).

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

No, we think much work is needed to make these guidelines meet the needs of corporate customers. For example, the current guidelines appear to be in conflict with the implementation proposals of the CRC. The proposed guidelines, which place renewables into Band A, imply to companies that renewable energy (via the grid) is low carbon and is therefore beneficial in reducing their carbon footprint. However this will not be the case under the CRC where the current proposal is to assign "grid mix" CO_2 intensity to renewable electricity procured via a renewable electricity supply contract. This inconsistency will undoubtedly lead to confusion for non-domestic customers. It is essential that companies are given clear and simple guidelines to help them to understand how they can reduce their carbon footprint and then market their progress towards their CSR targets.

In reality, LEC & REGO-backed renewable electricity supply in isolation, i.e. without a fund, has no additionality because electricity suppliers are allocating existing renewable electricity and / or new renewable generation developed primarily for the RO mechanism. By way of contrast, a customer who purchases brown energy and has a robust energy efficiency strategy in place is likely to be directly reducing emissions. Integrating a measure of additionality into the current guidelines would be much more beneficial from a CSR perspective.

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?

Given that the principles applicable to renewables and low carbon tariffs are different, it will be necessary to have separate guidelines or at least different sections to the guidelines.

We are supportive of both guidelines but, as explained above, we think that the main beneficiary of the low carbon guidelines is going to be corporate consumers. However, until we can clarify how the revised guidelines for both renewables and low carbon technologies can be used to help corporate consumers report their CSR commitments and produce a consistent outcome with the CRC league table, its value will be limited and confusing. Separating the low carbon guidelines from the renewable guidelines for the time being might mean that it will be easier to launch the renewables initiative within the proposed timeframe.

As an aside, we are not anticipating a market for low carbon tariffs in the domestic sector in the immediate future. Therefore, we do not see any harm in delaying the low carbon initiative for a short period. This approach might be beneficial as it will allow suppliers and other stakeholders to learn from the establishment of the renewables initiative.

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?

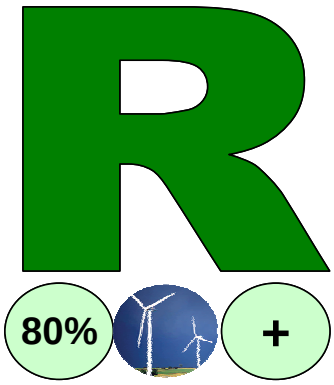
We do not think this should be a mandatory requirement under this initiative, primarily because we do not think that it is going to help consumers compare different tariffs and select the one that meets their needs. For example, if Supplier A's cost for CERT is £36.00 per customer and Supplier B's cost is £30.00 per customer, this has no bearing on the renewable / low carbon tariffs offered; the information is irrelevant and misleading. In addition, the provision of supplier specific cost is not something we would support. In a competitive market, this is price sensitive information and we would not want to reveal our competitive costs.

From our previous discussions with BERR, we are also aware of concerns about disclosing this type of information. We suggest that Ofgem discuss this proposal with them prior to finalising its decision.

Should it become a mandatory requirement, we suggest that industry averages are provided. The easiest option would be to use Ofgem's figures as published in its 'Updated Household Energy Bills Explained'. We will be happy to provide a link to Ofgem's factsheet or incorporate those figures on an appropriate section of our website.

7. Do you consider that information regarding the environmental 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?

Recognising that domestic and I&C customers have different needs, the information that suppliers provide is likely to differ. For example, for domestic customers, it might be sufficient to show the renewable energy badge and provide a web-link to a second layer of information explaining the details behind the key features.



Using this illustrative example again, the web-link could explain the meaning behind each symbol and elaborate on the key features. Information on the '+' could explain how additionality has been demonstrated for that particular tariff. If it was through a fund, the second layer information could explain how the fund works, the environmental benefits associated with the fund and the progress it has made to date.

If necessary, the information could also be linked to the supplier's FMD clearly explaining that those who purchased renewable energy from the supplier in the previous year are represented by the renewables portion of the FMD.

For I&C customers, it will be essential to include carbon intensity in any information provided. Unless the supplier is specifically marketing a renewable or low carbon tariff using a specific technology, the picture of the technology is likely to be of limited use. This information could be replaced by a carbon rating but this rating must be consistent across all government policies and reporting guidelines. Note that the 'R' in the illustrative example was designed for renewable energy and another badge will need to be developed for low carbon energy.

8. Should evidence of supply be linked to the Fuel Mix Disclosure obligations, with the sub-division of renewable generation to identify a particular technology or source?

REGOs and LECs (where available) should be used as evidence of renewable supply. We do not support the proposed requirement to provide FMD-style information via a Fuel Product Disclosure (FPD) on all non-renewable, non-low carbon products offered by suppliers.

FMD is a pragmatic approach in providing an approximation of the fuel mix of the electricity delivered to the end-customer by a supplier. However, a number of issues must be borne in mind before the data is adopted for a completely different purpose. For example:

- we have coal-fired stations in our generation portfolio and the total output of these stations is included in our FMD. However, in practice, the electricity generated at these stations is traded on the wholesale market (many times over) and may not be truly reflective of the physical fuel mix of the electricity delivered to our customers.
- as highlighted in the consultation document, the FMD is based on retrospective data.
- different suppliers may interpret the FMD regulations in different ways. Since there is no obligation to place generation from own assets onto a supplier fuel label and power purchase agreements may or may not be station specific (and even if they are station-specific there is no obligation to place the contractual volume onto the fuel label) the information provided by suppliers may not be consistent and comparable.

Therefore, using the FMD for a purpose beyond its original intention could lead to incomparable and misleading results which are contrary to our objective.

Recognising the motivation behind this proposal, however, we suggest that suppliers include a caveat or disclaimer in their FMD that clarifies that only customers purchasing renewables from them benefited from the proportion of renewables illustrated in the FMD.

We do not think it is necessary to make suppliers produce another FMD type chart for renewable supply tariffs showing the specific technologies employed (where they are included in the advertising of the tariff). It should be sufficient to rely on the Advertising Standards Authority to take action against any misleading advertising. Should a supplier wish to market a renewable tariff as, say, 80% wind, this could be easily accommodated in the badge.

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

Yes. We have always advocated (as this has not been industry practice) that where a renewable generator is also eligible under the renewable CCL exemption mechanism, the LEC should be tied with the REGO to demonstrate renewable supply and to avoid double counting. Even before REGOs were introduced, EDF Energy used LECs as evidence of supply in the domestic sector.

10. What, in your opinion, would be the costs associated with the administration of a centrally administered 'green' fund?

Ofgem's estimate seems to be high but this is not something we have considered in any depth as the concept has very little appeal to us. We have concerns that any centralised fund would be less efficient to administer than a supplier's own fund and potentially reduce a supplier's ability to innovate. We have our own fund which we will continue to support.

11. Do you agree with our assessment of the 5 options available to measure additionality including BE's and Centrica's proposals?

There are merits to elements of both BE's and Centrica's[2] proposals but we agree that the best approach should allow individual suppliers to choose how they wish to demonstrate additionality in a fully transparent manner.

Ofgem seems to prefer the hybrid approach whereby suppliers would only be able to charge a premium if the product offered an environmental benefit over and above their legal obligations. It is not entirely clear what the 'premium' is in relation to and how Ofgem is defining suppliers' 'legal obligation'. For example, under the RO, suppliers can meet their obligation either through acquiring and surrendering ROCs, or by 'buying out' of their obligation. The obligation is at a licensed supplier level and not at an individual customer level.

Customers are charged a premium for LEC backed energy. Renewable energy is in extremely short supply and one of the most effective methods for deciding which customers are allocated this scarce resource is by establishing what customers are willing to pay. By paying a premium for renewable energy customers are sending a positive price signal to electricity suppliers and renewable generators to invest in new renewable generation. If Ofgem introduces a cap on the amount that customers can pay for renewable energy it is not adhering to its principle of allowing market forces to ensure the best allocation of resources.

[2] We do not agree with Centrica's proposed star rating whereby fund-based schemes are deemed to offer lower additionality than ROC retirement

Questions from chapter 4

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

It is vital to retain flexibility. As explained above, provided that a simple badge that clearly illustrates the key information needed for customers to compare and make informed decisions, then any percentage should be allowed.

We currently advise our large customers to develop an integrated approach to reducing their carbon footprint including energy efficiency, purchasing renewable and fossil CHP energy, carbon offsetting and investing in on-site renewable generation. Therefore, many of our I&C customers currently decide to purchase only a percentage of their total energy requirements from renewable sources / fossil CHP sources. Furthermore, many UK government organisations have been set targets to purchase 10% renewable and 15% fossil CHP energy. Thus, to meet the demands of these customers it is essential that renewable / low carbon tariffs should comprise of varying percentages of renewable and / or fossil CHP energy.

In the I&C sector we currently offer 14 different renewable or CHP products with varying percentages of renewable & fossil CHP energy e.g. 10% renewable, 90% brown or 20% fossil CHP and 80% brown. It is possible that the number of variants could increase to 30 or more products. Therefore, it will be essential to streamline the product approval process in order to avoid delays in the customer quoting process. A simple solution would be to approve a generic renewable, fossil CHP or combined product containing varying percentages of renewable and fossil CHP energy.

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?

Conceptually this is a good idea but as already noted in our response to question 8, the application of FMD type principles to "other" products is not straight forward. The table below summarises the pros and cons of the proposal and suggest further debate is necessary before it is adopted. On balance, we do not think this should be a mandatory requirement under the guidelines for the reasons provided below but individual suppliers should not be prohibited from using it. Only once the advantages clearly outweigh the disadvantages would we consider supporting this idea.

Advantages	Disadvantage
o A very simple and clear way to understand the carbon intensity of the supply tariff o Allows easy comparison o Provides an excellent opportunity to promote low carbon technology and tariffs	o The carbon intensity may not correspond to Defra's GHG emissions guidelines or other guidelines used by auditors o It may not be consistent with the CRC o It encourages customers to select their electricity supplier based upon past investment decisions (i.e. the decision

Advantages	Disadvantage
o Opportunity to educate consumers	to build a coal-fired power station 40 years ago) and not on their planned future investments. The proposal creates winners and losers. Without an appropriate notice period for implementation this potentially distorts competition o It may not be a true reflection of the electricity supply being delivered to the end customer o Retrospective FMD requirements may be interpreted differently by different suppliers leading to difficulty in making direct comparisons

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

The use of BERR's latest fuel mix CO_2 factor is probably the most appropriate treatment for electricity not supported by a REGO or generator declaration.

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

Yes, but it needs to be noted that CCS and CHP are technologies rather than fuel type and that with CHPs, there is an added complication in that it generates power and heat (and cooling in some instances) where the heat is not fully utilised. However, for the sake of simplicity, we agree that standardised emissions factor should be used. Note however that at present the data published by BERR for FMD does not discriminate between CHP and CCGT. The suggestion to use section 11(a) of the FMD regulations as per Appendix 3 paragraph 1.36 may not therefore be workable.

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

CCS is low carbon technology so should be included. However, given that the first commercial-scale CCS will not be available until 2014, this is something we can give further consideration to between now and then.

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

Band	Carbon intensity (g/kWh)	Associated technologies

Band A	0	Renewables (exc biomass), Nuclear
Band B	1-100	CCS
Band C	101-300	CHP
Band D	301-500	CCGT
Band E	501-1000	Coal,Oil
Band F	Greater than 1001	OCGT, Biomass

The introduction of these bandings is premature at this stage. This is because the key beneficiary of this type of information is corporate consumers yet there are uncertainties and inconsistencies in government policies and reporting guidelines which interact with this proposal – see answers to questions 4, 5, 8 and 13. Until the various schemes and pieces of information are designed to work coherently and consistently together and provide real benefits for consumers, we see little value in introducing the bandings. In fact, a premature introduction could lead to confusion and consumer dissatisfaction. (NB. There are no low carbon tariffs in the residential market at present that we are aware of.)

Focussing purely on the technical aspects of the illustrative bands:

- CCS should be included in the future but given that the first commercial scale CCS will not be available until 2014, it will be meaningless to include it at this stage.
- The treatment of biomass needs to be amended. For the purposes of this consultation, there are two relevant scenarios: dedicated biomass plant and the co-firing of biomass in coal stations. In both scenarios, ROCs, LECs and REGO's are awarded for the biomass element and this must be reflected in the banding. We strongly recommend that biomass is considered as equivalent to other renewables and hence is a representative technology of the A-rated band.
- The last column is misleading because in practice, consumers will be purchasing electricity generated from a mixture of technologies. The associated technologies in the draft proposal are a mixture of fuel types and technologies. This is potentially misleading (e.g. CHP can be fuelled by biomass, gas, coal). We would prefer that this column is replaced with a separate table that shows the emissions by fuel type used in the Fuel Mix Disclosure calculations.

  Carbon Dioxide Emissions

Energy Source	g/kWh
Coal	890
Natural Gas	370
Nuclear	0
Renewables	0
Other	580

- Band E is too wide; it should be split into two bands. This will allow the differentiation of coal only and coal/gas-mixed portfolios.

Suppliers are required under the low carbon guidelines to calculate the CO_2 intensity associated with a tariff within the bands. The guidelines further state that the CO_2 intensity associated with the tariff should be calculated in accordance with se section 11(a) of the FMD regulations. Since the data published by BERR for FMD does not discriminate between CHP and CCGT it is not clear how differentiation between Band C and Band D will be achieved in the context of the proposed associated technologies. A 100% natural gas CHP portfolio will be in Band D as will a 100% natural gas CCGT portfolio – both will have calculated emissions of 370gCO_2/kWh.

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

We believe consistency is more important than the authority that sets the banding. However, given that Defra is responsible for various policies in this area and owns the GHG reporting guidelines, it may be sensible if they take ownership of this responsibility as well. Hopefully, this will lead to consistent and coherent reporting which will be beneficial for consumers.

19. Should the banding 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?

Again, this is something we can discuss closer to the relevant timeframe but it may be sensible to have a link to the carbon budgets from the Climate Change Bill.

Questions from chapter 5

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

Any other comments?

Yes, see below.

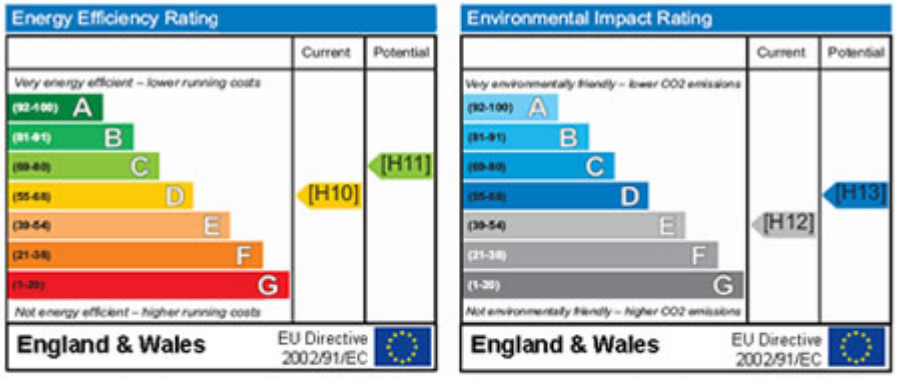
EU Renewable Energy Directive

The draft directive currently being discussed by the Commission and member states suggest that trading of REGOs will be an element of the upcoming directive on renewable energy. If this proposal is adopted, the separation of REGOs from the associated electricity may be possible within certain constraints. This would in turn result in a review of the use of REGOs as evidence of supply in the near future.

Off setting

In the previous consultation, it was discussed whether off-setting should be included as part of the low carbon tariffs and contribute to the overall carbon rating of the tariff. We were against this proposal because we felt that it would be misleading to allow consumers to believe that the carbon rating of their tariffs changed as a result of off-setting. We have developed our thoughts further and now propose an alternative solution. We suggest that those suppliers wishing to demonstrate the benefits of off-setting use a similar system currently used in Home Information

Packs. For example, a column for 'potential' could be introduced to demonstrate the benefits of off-setting. Again, we would strongly recommend that Ofgem and Defra discuss how carbon neutrality can be treated under Defra's GHG emissions guidelines to ensure that the message to corporate consumers is consistent.



The energy efficiency rating is a measure of the overall efficiency of a home. The higher the rating the more energy efficient the home is and the lower the fuel bills will be.

The environmental impact rating is a measure of a home's impact on the environment in terms of carbon dioxide (CO_2) emissions. The higher the rating the less impact it has on the environment.

The role of government and Ofgem in the development of the verification scheme

Given that these guidelines affect all suppliers, and not only ERA members, we believe government involvement is imperative in setting up the scheme. We are happy to continue to work with all suppliers; however, we are concerned that without a single trade body representing all suppliers it will not progress as quickly as Ofgem might expect.

We also believe that government should contribute along with suppliers to both the set up cost and on-going running cost as previously via the Future Energy Scheme run by the Energy Saving Trust.