

**From:** Craig Lowrey [REDACTED]

**Sent:** 09 January 2008 17:02

**To:** Es&SMarkets

**Subject:** Consultation Reference 275/07: Cutting the green customer confusion - next steps

Dear Sir or Madam

EIC is writing in response to the request for submissions to the above consultation document. EIC welcomes the opportunity to take part in this debate, and would be happy to discuss this with you in depth at a future date if required.

As the UK's leading independent consultancy to industrial, commercial and public sector energy users, EIC was established in 1975 and was purchased by Broadfern in 2007. Both companies have considerable experience in the energy sector, representing approximately 1,300 clients with a combined annual energy procurement spend of £1,250 million in 2007.

The issue of low carbon and renewable energy supply is of keen interest to the public and private sector, and is reflected in both the growing demand for such tariffs from clients, as well as the increasing interest from end users in establishing their own renewable generation projects and combined heat and power (CHP) facilities on site. Against this backdrop, the UK economy faces growing pressure on a domestic and European front to both increase the level of renewable energy and shift to a lower carbon lifestyle given the call on corporate social responsibility.

This debate centres on establishing exactly what customers on green energy tariffs are paying for, or rather, what they think they are paying for. As such, ensuring that companies have greater transparency on the impact of their energy purchasing decisions in terms of carbon intensity and renewable energy is an important step towards these objectives.

However, it is important that any regulations imposed be both transparent and user-friendly, enabling easy comparison of the tariffs on offer. In order to avoid confusion for end users, the same tariff regime should be applied across the domestic and non-domestic sectors, while such a move would also benefit the suppliers themselves. Indeed, the proposed banding based upon carbon intensity to mirror that currently in force for electrical appliances and other goods is also an advisable move, as it is a well-known and familiar format.

The "all or nothing" approach on transparency and disclosure for suppliers in terms of the offering of low carbon and renewable energy tariffs is also appropriate, as it ensures that inaccurate or unfounded claims are not made on electricity sold or the generation mix used to provide these supplies. While basing the carbon intensity of generation upon emissions at source is a considerable step in terms of simplification, the nature of the product offerings is such that there is a possibility that ex ante claims made by suppliers in respect of their available generation may not be borne out by ex post verification data.

This is clearly an issue that would need to be addressed either by the verification body or by Ofgem. There would also be implications in terms of the position of any supplier that repeatedly fails to match its ex ante and ex post generation mix (and hence its tariff composition) within the scheme itself. One final point that should be stressed is that the suppliers themselves fund the verification and administration process, and that the cost of this is not met by customers.

We trust that this helps with your inquiry. However, should you wish to discuss this in more detail, please do not hesitate to contact me.

Yours sincerely

Craig Lowrey

Head, Energy Markets

EIC