

Cutting the green customer confusion - next steps

1. Do you think that 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?

Yes. Please refer to our detailed responses in the first consultation.

When asked¹, 71% of consumers said they would like to see green tariffs offered by their supplier. Nearly 50% stated that they would be prepared to pay more for their electricity to ensure energy comes from renewable energy sources. The Energy Saving Trust's own research shows that over one third of all households were interested in signing up to a green tariff, once the concept had been explained to them.

It is clear that there is a latent appetite for large numbers of households to sign up to green tariffs, if the concept can be conveyed in a clear, impartial and credible manner. The Energy Saving Trust believes that a certification scheme, in which a significant proportion of green tariff providers participate, and which has the backing of Government, the regulator, consumer watchdogs and energy suppliers themselves, can tap this potential and achieve a significant increase in the uptake of green tariffs among householders.

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?

We believe all suppliers should be required to follow the guidelines, but that the certification scheme should be voluntary.

However, we agree that suppliers should be given a chance to sign up to the guidelines on a voluntary basis and only if some do not, a mandatory requirement should be considered.

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

This is outside our area of expertise.

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

This is outside our area of expertise.

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?

The guidelines should definitely be separate. We remain unconvinced on the need for a low carbon label given there is already fuel mix disclosure, although we agree that some of this information could be provided to customers in addition to the current requirements - please see our later comments.

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?

¹ Allegra, 2006, Project Renew – UK Consumer perspectives on renewable energy

Yes, the information should be available when requested and on supplier websites, but this should be in the context of support for all energy sources, not just renewables or energy efficiency.

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?

It would be helpful to have some level of standardization of information, in order for customers to compare tariffs from different suppliers. Consumers show a basic demand for trustworthy information and market transparency and want to compare electricity products with regard to price, generation sources and environmental attributes. As a minimum, this should be the proportion of electricity generated from different sources (for renewable tariffs), and the overall carbon factor for the supplier. If additionality is part of the guidelines, then the relevant figures here should also be included (e.g. percentage of ROCs retired and % of tariff donated to a fund).

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?

Yes, evidence should be linked to FMD obligations and renewable generation sub-divided by source, since many customers will have preference over which types of renewables they are being supplied with.

In the context of a low carbon tariff (if a low carbon label were to be developed), this is vitally important, to ensure that consumers are aware where nuclear power is part of a tariff, as this may be confusing for some.

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

This is one way of preventing double-counting. Our preferred approach, which would be an easier way, would be to never allow LECs to be provided as evidence of renewable supply, thus unique REGOs covering 100% of supply would always be the only form of evidence required.

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

We have no evidence to add.

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

Firstly, we believe that additionality is vital in any credible renewable tariff scheme. This does not necessarily need to be part of the Ofgem guidelines, which could be simply about transparency and verification of information. But, in this case there would be an urgent need for a third party to set up a certification scheme, based on Ofgem guidelines as a minimum, but including additionality as a key criterion.

We think that the rating system outlined is too rigid and that a more flexible mechanism needs to be designed to allow a mixture of ROC retirement and contribution to funds – one is not necessarily better than the other, it depends on the relative value.

We do not agree with Ofgem's assessment on ROC retirement. Any increase in value of ROCs provides a signal to the investment community to ensure further renewable generation. This

may not be immediate and easily traceable to one customer changing tariffs, but nonetheless we believe it an important driver of renewable investment and one that should be supported.

We agree that carbon offsetting should not be included in the fuel mix calculations, but should be an 'additional extra' offered by suppliers on tariffs.

We do not have a strong view on the relative benefits of a central or decentralised funds. There would be a stronger need for transparency of funds if suppliers continued to operate these individually, but do not believe that is an insurmountable barrier.

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

We believe a renewable tariff should be backed by 100% REGOs as a minimum requirement, in order to minimise customer confusion. When a tariff is called 'renewable', we believe most customers would assume that all electricity provided comes from renewable sources and that anything other than 100% renewable would be mis-leading consumers, which is clearly unacceptable.

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?

We do not believe this is practical or useful, unless it is required on all tariffs offered by all suppliers. We believe only those tariffs with low carbon ratings will advertise this label, thus de-valuing the higher ratings. It may be more appropriate to require some carbon information alongside the FMD for the suppliers' total mix, but do not believe that the carbon label would add any value to the consumer on individual tariffs.

Furthermore, providing this information and bundling generation into a low carbon tariff is not guaranteed to lead to further generation of low carbon electricity. It would simply mean a higher carbon value for other customers, who would then be paying for a legal obligation to increase renewable generation but not getting the benefits of that themselves. Clearly this cannot possibly be in the best interest of consumers.

In addition, as the carbon values proposed would be average across technology type, there is no incentive for a supplier to lower the carbon content of their fuel mix.

A link between nuclear new-build as a result of a low-carbon tariff is far more tenuous than the link between new renewable investment as a result of ROC retirement, which Ofgem is proposing as a reason for not including that mechanism as a demonstration of additionality.

Finally, we believe it is more appropriate to use the Government proposed Supplier Obligation to drive a reduction in carbon intensity of electricity.

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?

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 and CHP?

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

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

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

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?

We do not believe it is appropriate to label carbon intensity and we have therefore not addressed questions 14 to 19.

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

The answer to this question depends on whether the scheme includes an element of additionality.

In absence of additionality criteria, we believe the compliance with the guidelines should be within the remit of Ofgem, as they would be purely about transparency of information provision.

If additionality is part of the guidelines, then we believe there is a clear role for a separate independent certification scheme. In this case, we believe the rules and criteria for that scheme should be determined by the certifying body, using Ofgem guidelines as a minimum requirement for participation.

We do not think there is a role for a certification mark/logo for compliance with Ofgem guidelines where no additionality is included as this is likely to mis-lead consumers and therefore cannot possibly be in their best interests. There should be a simple statement of compliance and a list on Ofgem/other websites with those suppliers that are compliant. We believe a logo would suggest to consumers that there is some level of additionality and should be reserved for such a scheme, not with simply providing information transparently. We strongly believe that customers signing up to a scheme with a renewable supply logo would expect that renewable energy to be over and above any legal requirements, not a simple re-packaging of existing supply.

A logo should only be used for an independent certification mark which demonstrates some level of additionality.