

Clair Hogg,  
European Strategy and Environment  
OFGEM  
9 Millbank  
London  
SW1P 3GE

Monkton Reach  
Monkton Hill  
Chippenham  
Wiltshire SN15 1EE  
T. 0845 601 1410  
F. 01249 766091  
E. [enquiries@good-energy.co.uk](mailto:enquiries@good-energy.co.uk)  
W. [www.good-energy.co.uk](http://www.good-energy.co.uk)

3 January 2008

Dear Clair,

## **Cutting the Green Confusion Consultation**

Thank you for the invitation to respond to your latest consultation on the above subject. As you are aware Good Energy is a small supplier, supplying nearly 25,000 thousand customers with 100% renewable energy.

Over all, we are broadly supportive of the proposals, and welcome the work done by Ofgem. We would like to see early implementation of these proposals, but are concerned about delays caused by Ofgem's insistence that suppliers need to develop the verification scheme. As you will be aware, suppliers have several opposing views and gaining consensus is difficult, especially where there is no leadership. We would therefore ask that Ofgem reconsider its position of leaving this to suppliers, and continue to show the excellent leadership it has shown to date, and take ownership of implementing the verification scheme.

For your ease of development, we have answered the questions posed in the consultation, expanding our responses where necessary.

**Q1. 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?**

In principle, yes. However, this information needs to be relevant, understandable and comparable. Whilst additional information can empower the customer, it will only do so if the customer can understand the information provided. Providing the percentage of

renewable energy or a Carbon band rating meets this criteria. It is however debatable whether informing the customer of the working of the RO and the EEC is information overload of a technical nature, which actually turns customers off, rather than engages them.

It is also important that this information is provided to all customers, so they can see the impact of the tariff they are on. Using the proposals put forward means that those that are choosing a green tariff will benefit from being able to make an informed choice. However, to combat climate change it is arguably more important that those not on a “green” tariff can see the impact of choosing to remain on that tariff. It is therefore imperative that the guidelines insist that Supplier must submit ALL their tariffs to the scheme.

**Q2 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 agree with the principle that the guidelines are voluntary. It is also important that it is possible for a supplier to “sign-up” to the principles in the guidelines without being part of the verification scheme. As Ofgem has indicated that suppliers should be collectively responsible for the verification scheme, then any supplier should be able to opt out of the scheme (for reasons of cost for example), but still be signed up for the guidelines. It would not be right for Ofgem to mandate membership of a scheme in its guidelines when it has no control over the scheme. However, if Ofgem was to continue to show leadership and own the verification scheme then it would be logical for membership to be a condition of sign up to the guidelines.

**Q3 Do you think that the guidelines, as currently drafted, are appropriate for non-domestic customers or would changes be required to facilitate this?**

We believe that the guidelines, as currently proposed would require no changes to be relevant to SME’s. We would not expect the guidelines to be applicable to customers on bespoke contracts.

**Q4. Do you think that the guidelines, as currently drafted, are useful for companies to market their corporate social responsibility?**

No. As currently stands, Ofgem is asking suppliers to sign up to their guidelines. A company could legitimately claim to be supplied by a company that has signed up to Ofgem’s green supplier guidelines even if they were not supplied on a tariff covered by the guidelines.

**Q5 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?**

Whilst separate guidelines add clarity, we feel the likely outcome will be that all tariffs will be obliged to show both their percentage of renewable and their carbon banding. We feel the process has now moved on and a single guideline would be sensible, but are not opposed to keeping them separate. We would be opposed to the two guidelines having separate verification schemes, as renewable tariffs would then need to be verified twice to get both a renewable and low carbon band, which would be a duplication of effort.

**Q6 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?**

No. This is information overload which is likely to lead to further confusion rather than clarifying things. This information is readily available to the small group of environmental purists, but to the mass market this information is technical details which could be misinterpreted (e.g. The RO means all suppliers already buy 7.9% of their energy from renewable sources). For these guidelines to work properly they need to be clear and simple, and not “bogged” with technical information to satisfy a small minority of environmental campaigners who know the detail anyway.

**Q7 Do you consider the 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 point of sale?**

Yes. We believe all tariffs should show the percentage of renewable energy, the carbon band, the supplier’s total fuel mix disclosure and a statement of any other additionality. This will also have a ‘tick’ mark showing the tariff complies with the verification scheme. A second layer should explain the symbols mentioned above.

**Q8 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?**

No. Suppliers should display their licence fuel mix disclosure alongside their renewable percentage and carbon band, as mentioned above. We do not see any benefit in mandating suppliers to breakdown their renewable by technology, that should be a matter of choice by supplier’s who wish to differentiate themselves from the competition.

**Q9 Should LECs be provided by suppliers in respect of renewable or low carbon tariffs where available?**

There is currently market confusion as to whether REGOs and LECs can be separated. Ofgem, as the market regulator must clarify this. This also raises the question of the status of REGO certificates from other EU countries. If LECs have to be used as well as REGOs, but only where available, then this means that EU equivalents will have a lower value than those in the UK, and thus be a preferable purchase. There are some ethical arguments against buying REGO equivalents from the EU, although it may be against EU law not to allow certificates from other member states to be traded in the UK. We would strongly recommend Ofgem to clarify the legal position before deciding the answer to this question.

**Q10 What, in your opinion, would be the costs associated with the administration of a centrally administered 'green' fund?**

We believe this concept is a non starter, so have no views on the subject.

**Q11 Do you agree with our assessment of the 5 options available to measure additionality including BE's and Centrica's proposal?**

We do not believe that additionality should be limited to the 5 options listed. For purposes of verification, the additionality should be quantifiable and verifiable. The job of the verification body will be to ensure that the additionality "does what it says on the tin".

**Q12 Do you think it is appropriate that renewable tariffs should comprise 100% renewable electricity or a stated percentage?**

We believe all tariffs should be required to show their renewable percentage. Therefore, the concept of a renewable tariff is self-managed. A 100% renewable tariff would be clearly identifiable, and most people would question any supplier who called a tariff renewable, when the 'verification badge' showed only a small percentage of renewable energy. The purpose of the guidelines is to clarify to customers what they are buying. If a supplier wanted to call a tariff 'renewable' because the additionality invested in renewable, but the actual fuel mix was less than 100%. This would now be clear to customers.

**Q13 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. All tariffs offered by a supplier adhering to the guidelines should show their carbon intensity. This should be in a band format as suggested.

**Q14 What is the appropriate treatment for electricity that is not supported by a REGO or generator declaration in order to calculate a tariff's emission intensity?**

The simplest solution would be to follow the same process as used for fuel mix disclosure. However, this would lead to double counting of renewable by suppliers, as all REGO backed energy would be declared in renewable tariffs, but counted again in the average fuel mix used by suppliers buying energy with no declaration. We therefore believe that Ofgem needs to encourage suppliers to gain generator declarations by setting a Carbon intensity default value which is towards the higher end of values (e.g. >500g/kWh).

**Q15 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?**

Standardising emission factors would make sense, as generators are unlikely to want to give precise carbon emission data to suppliers as it would be costly to them, particularly smaller generators. However, the standardised values should be reviewed regularly to capture any improvement. We are happy to recognise the lower emissions of CHP, but believe CCS should not be recognised as a low carbon solution.

**Q16 Should CCS be treated as a low carbon technology or should carbon sequestration be included in the calculation of emission intensity?**

No. CCS is not low carbon, it is about carbon hiding. CCS should be treated like offsetting within the guidelines. It should not impact the carbon rating, but can be used as an additionality offering to distinguish itself. If CCS is included, then it would be more difficult to argue against allowing offsetting to change the carbon banding.

**Q17 Are the illustrative bands presented in this document appropriate? If, not how should they be amended?**

Yes. We think it is important that Band A should be Zero. Most tariffs will be a mix of technologies, plus some energy where the sources is undefined, so we do not believe putting the associated technologies next to the bands is appropriate as this could be misleading.

**Q18 Who should be responsible for setting the low carbon bands?**

Ofgem. The bands will probably need reviewing from time to time, and Ofgem has an existing process for reviewing similar things in consultation with the industry. Any verification agent is unlikely to have any remit to review the bands, and suppliers would

always review the bands based on what is best for their tariffs, and are unlikely to agree any change. The bands should be part of the guidelines, which the verification agent works with.

**Q19 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?**

We believe that a periodic review of the guidelines is essential to keep it relevant in an ever changing market. This would include a review of the bands.

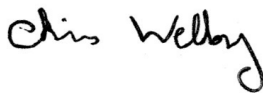
**Q20 Do you agree with our proposals to progress compliance with the guidelines and the development of the accreditation scheme?**

No. The guidelines represent very little without the verification scheme. Indeed it is unlikely that any supplier could sign-up to the guidelines as published without the verification scheme in place, adding the necessary next level of detail. We do not believe that supplier can co-ordinate a verification scheme, even less one that is independent of suppliers as the issue of governance will be insurmountable.

We believe that Ofgem's proposal to leave the accreditation scheme to suppliers means that such a scheme will never develop, or will cover only a minority of suppliers. This will leave Ofgem open to political criticism, and more importantly have the potential to discredit the guidelines which everyone, including Ofgem in particular, has worked hard to achieve.

I hope you find these comments useful. If you wish to discuss any of the responses in more detail, please do not hesitate to contact me.

Kind Regards,



Chris Welby  
Commercial Director