

Clair Hogg  
European Strategy and Environment  
Ofgem  
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Date: 8 January 2008

Dear Ms Hogg,

**SembCorp Response to Consultation Document “Cutting the Green Customer Confusion – Next Steps”**

Thank you for the opportunity to comment on the proposed green supply guidelines as set out in your November 2007 consultation document. This letter sets out the response of SembCorp Utilities (UK) Limited (“SCU”).

Background

SCU provides utilities and services to customers on the Wilton International manufacturing site on Teesside. SCU owns a licence-exempt distribution network and a 197MW good-quality combined heat and power station on the site, and has recently commissioned a new 30MWe stand alone biomass-fired power station (“Wilton 10”).

The vast majority of our generation is sold in the wholesale market to licensed suppliers, and we do not market any ‘green’ tariffs. However as a generator of renewable and low-carbon electricity we are keen to ensure that consumers are properly informed of any ‘green benefits’ of electricity they buy so that these benefits can be recognised throughout the electricity supply chain. Hence our interest in this consultation.

Comments

Our comments on the consultation are set out below, referenced to the questions listed in Appendix 2 of the consultation document.

- Q1-5 We support the objective of introducing greater transparency into green supply offerings to consumers, including the proposal to distinguish between renewable electricity and low-carbon electricity.
- Q8 We support the use of Fuel Mix Disclosure data as evidence of source of generation, as this avoids the need for additional bureaucracy.

We note that the fuel mix disclosure categories do not align exactly with your proposed banding for carbon intensity – in particular they do not include CCS, CHP, or OCGT. We support the proposal to use CHP LECs as evidence of good quality CHP electricity. An alternative approach might be to use CHP Guarantees of Origin (“CHP GOOs”) as provided in the EU Cogeneration Directive, but this would involve extra bureaucracy to merely arrive at the same number.

Q13-17 In principle we support the banded rating system for carbon-intensity.

However we strongly disagree that biomass should be placed in Band F (below coal!). Under your proposals, electricity from our biomass power station would be certified as 100% renewable but Band F for carbon intensity – we believe this will send perverse and confusing messages to consumers.

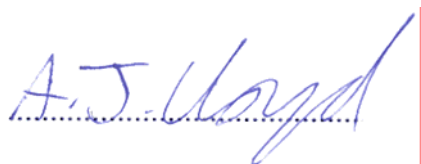
We recognise that your rating system is based on direct CO2 emissions rather than full life-cycle analysis for simplicity, but biomass should be deemed to have net zero CO2 emissions. As you acknowledge in Footnote 25, this is the approach used across the EU in the Emissions Trading Scheme. Indeed it is a generally recognised principle that the carbon in biomass is ‘recycled’ into new biomass. To label biomass as a ‘high-carbon’ form of energy is clearly absurd.

We agree with the proposed Band C for good quality CHP electricity. Calculating the carbon intensity of CHP electricity is not straightforward because there are different approaches for allocating the CO2 emissions between heat and electricity. However we agree that most schemes would fall within the range 101-300g/kWh. We would be happy to discuss this point further if you wish.

You propose that both renewables and nuclear should be rated as Band A because they have no direct CO2 emissions. Given the controversy surround nuclear power we strongly support the proposal that the fuel mix should be disclosed as well as the band rating. Consumers must be able to clearly distinguish whether they are buying nuclear or renewable.

Please do not hesitate to contact me should you have any questions or comments concerning our response.

Yours sincerely,



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