

Appendix 3: Supply certification straw man

Principles

Should be consistent with the aims of the Green Claims Code which was launched by Government in 1998. There is an international standard on environmental claims ISO 14021.

Ofgem's "green supply" guidelines should be high level and set out the over-arching principles. The details should be left to the certification scheme.

The scheme should be flexible and capable of development over time. It should also strike the appropriate balance between facilitating competition and providing customers with the right amount of information to enable them to make informed choices about their supplier.

Industrial and commercial (I&C) sector

Generally we think that I&C customers are more likely to be interested in low carbon banding and we note that with the introduction of the Carbon Reduction Commitment and other initiatives in this sector focus may shift to reducing demand rather than on the source of generation and whether it is zero or low carbon.

We suggest that it would not be practical or desirable for suppliers to be required to apply for certification for all I&C tariffs, particularly as typically they are negotiated on case by case basis. The customer switching process is different to that in the domestic sector and we therefore question whether there is a place for the same type of scheme. It may not be required for marketing purposes either (whereas there is a value having a mark in the domestic sector), although there might be a place for it at the SME customer end.

At present our preference is for I&C guidelines, but not necessarily certification although there could be scope for expanding the domestic certification scheme in future if demanded by customers in the I&C sector.

The qualifier of REGO is sufficient to authenticate Renewable Supply in the I & C market.

Objectives/design

Consumers need to have confidence that the claims being made by suppliers about their tariffs are truthful, accurate and able to be substantiated. The certification scheme's purpose is to independently assess the claims that are being made by suppliers and to provide customers with assurance that by earning the scheme's "badge(s)" such claims are genuine.

The scheme would require suppliers to provide/keep accurate records for auditing purposes and probably include suppliers being prepared to give the information to anyone who asks for the claim to be substantiated.

The certification scheme should not make judgements or endorsements of any particular product types or technologies. There should be no minimum criteria setting out what constitutes additionality, other than that any claims made by a supplier should be backed up by the appropriate evidence and independently verified.

The onus should not be on customers to know/understand how the supplier got the accreditation - merely that it has been achieved. If customer desires further information this should be clearly signposted within the scheme.

One overarching scheme with marks for renewable (including percentage supplied), low carbon (defined parameters) and other environmental benefits (see below).

The mark needs to be identifiable and have consistent, transparent and easily understood criteria.

Ideally one quality mark, perhaps with three components to it, rather than three different marks.

The quality mark needs to clearly differentiate between renewable and non-renewable products.

It needs to be simple to understand – at a glance. There may be a need to differentiate the carbon intensity of the product in some way. A supplier would apply to the certification scheme and ask that the tariff be registered as qualifying for the mark.

Initial view is that the banding proposal is likely to be too complicated for domestic customers and that tariffs below the C banding are not likely to be developed. Concern also that it goes further than the principle of green supply guidance and would be an administrative and costly burden for suppliers.

Information

Create balance between providing customers with the impartial information they want whilst avoiding information overload. Credibility is attained by use of the mark.

Suggestion is that the scheme provides standard information to customers on website/through literature (like the Ombudsman). This would include a series of FAQs – customer friendly answers including:

- explanation of what the various marks mean
- what the supplier has to do to attain and maintain the accreditation under the scheme
- Explanation of REGO/GOO/Renewables Obligation
- Explanation of what renewable means and what technologies could be included
- Explanation of what low carbon means
- Explanation of what other environmental benefits might be offered by the supplier and eligible within this scheme
- Explanation about the EEC/CERT
- What does FMD mean?
- Who to contact for more information – within the scheme and signposting to suppliers
- Links to consumer groups/other organisations
- DEFRA Carbon offsetting links
- Details of the banding, if used?
- Consumption calculations etc

If suppliers wish to provide customers with some or all of the above information then they are free to do so.

Audit/evidence

Agreed standard of evidence for origin of electricity e.g. REGO and Generator Declarations. Assessment criteria should not duplicate existing verification routes e.g. if REGO presented this should be sufficient.

This would include a standard/consistent consumption calculation methodology about volumes supplied, recognising that FMD is currently backward looking, because the supplier submits the information for the FMD period. E.g. if supplier claims 100% renewable supply the equivalent volume is calculated as 3300 kWh multiplied by customer numbers during the year. Suppliers will need to maintain certification once achieved – ongoing checks.

The certifier would monitor compliance with the scheme.

Marketing

Claims made in advertisements are subject to the codes administered by the ASA, the ITC or the Radio Authority. There should not be any additional requirements within the scheme other than the use of the certification mark should be appropriate. For consideration whether a complaint about using the mark would go to the scheme or to the ASA?

There could be a verbal reference to the mark on Radio/as part of telesales but may not be practical to use in all marketing material. e.g. bill inserts are multi-product. Supplier should have flexibility about how to use the mark once it has been awarded. (Is this common practice with other quality marks?)

Other environmental benefits offered by the tariff

It should be left to the verifier to decide whether the initiative qualifies, but the scheme should not make judgements about which environmental benefit is "best" - that is for the customer to decide. Any action that results in an environmentally beneficial outcome that can be quantified should be counted. This could include funds based schemes, tree planting, ROC retiral, LEC retiral, gifts, demand reduction rewards etc. The list shouldn't be exhaustive to allow for innovation.

Application

Supplier would sign up to the Guidelines and the certification scheme. Would then apply to the verifier to have the quality mark awarded for particular tariff(s). This could be on launch of tariff or retrospective (for existing tariffs). Supplier will not be permitted to use quality mark on marketing material if tariff is not certified. Depending on how many marks there are, supplier could apply for one or all to be used.

Consider that this approach only practical for domestic tariffs for reasons stated above.

Awareness

Key to success of the scheme is customer awareness of the scheme and the associated mark(s) and the scheme should be appropriately promoted/launched by all stakeholders (Ofgem, Government, suppliers, consumer groups, NGOs etc). There should be a budget for an awareness campaign. Need to teach customers to look for the mark to help remove confusion.

Certifier

The certifier needs to be credible and have a good process. For discussion whether this is a well-known organisation or not, as awareness of the mark, its purpose and endorsement from all key stakeholders will be critical to success. Need the scheme to have longevity.

Who should appoint the verifier and how? Is there a need for a tender? Who drives it forward?

Costs – start up costs, ongoing funding, membership of scheme, governance. Pay fee per accreditation? Will there need to be a licence for the quality mark?

Candidates (not exhaustive): Carbon Trust, Gemserv, EST, Assurance provider.