

**BT's Responses to Ofgem's
The Green Supply Guidelines: Updated Proposals Consultation
Ref: 97/08**

EXECUTIVE SUMMARY

Core areas of interest for BT:

BT has two key interests with respect to the prospective Green Supply Guidelines:

- 1) BT's primary concern is with the efficacy & validity of the green supply guidelines as a tool for the provision of information that could in future be utilised in reporting of electricity-use CO2 emissions;
- 2) BT is also interested in how these guidelines may support &/or facilitate: openness of, 3rd party access to, and transparency of value flows within, the UK electricity market – particularly with regard to environmental impact.

Key Features of Ofgem's updated Proposals for Green Supply Guidelines:

The key features of the updated Ofgem proposals for Green Supply Guidelines are as follows:

- The guidelines will no longer show the carbon content of individual tariffs:
 - All power will instead be assumed to have grid average CO2 content.
- The focus of the guidelines will now be on the additional environmental benefit associated with a tariff¹; rated using measures such as:
 - Carbon emissions abated; or
 - Financial expenditure (as a % of the consumer's bill) on environmental benefit.
- A supplier-level fuel mix description will be retained in the information presented to customers.
- Transparency will be targeted through requiring a tiered provision of information about the tariff at the point of sale.
- The Guidelines will remain applicable to the power supplied to both Domestic and Non-domestic customers – with a particular focus on carbon-abatement as a measure of environmental benefit linked to power for non-domestics.

¹ 'Additional Environmental Benefit' will be defined as environmental benefit which would not have occurred under business as usual.

Observations

During the debate surrounding the Ofgem consultations on this issue, two fundamental approaches to Green Electricity have been proposed:

- 1) Contractual differentiation of electricity by attribute ('Electricity Labelling');
- 2) Bundling of homogenised electricity with additional environmental benefit.

Summary of BT Position on the Green Supply Guidelines

BT believes that a properly worked out system for contractual differentiation [by attribute] of electricity products or tariff groups – 'Electricity Labelling' – is the preferable approach to green electricity.

Following from this Core Position:

- BT believes that Fuel Mix Disclosure should be mandatory for each product or tariff group, not just for each supply licensee's overall mix; and that the actual CO2 content of each product or tariff group should be a core part of this.

In relation to the approach to green supply outlined in Ofgem's updated proposals (to bundle additional environmental benefit with a homogenised electricity supply):

- BT is concerned that under this approach it will not be possible for consumers to exclude, from their contracted generation portfolio, generation sources that conflict with their ethical &/or environmental positions.
- BT is also concerned that the proposal to require all electricity to be treated as having grid average CO2 content risks creating consumer confusion.
- BT believes that rationalising a need for all power to be treated as homogenised due to the Renewable Obligation (RO), will set a precedent that will need to be applied also to transport fuel following the introduction of a Renewable Transport Fuel Obligation (RTFO).
- BT sees no value (with the possible exception of supplies to domestic & SME consumers) in the bundling of standard – openly available – CO2 offsets within 'green' electricity products; and
- BT is concerned that electricity suppliers will be given exclusive access to the accreditation scheme, and hence to the provision of electricity linked environmental benefit – creating an unfair and distorting bias against other actors in existing and future markets of environmental benefit.