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Sent by email to: [sabreena.juneja@ofgem.gov.uk](mailto:sabreena.juneja@ofgem.gov.uk)

Dear Sabreena,

**Re: The Green Supply Guidelines: Updated Proposals**

I am writing in response to the above Ofgem Consultation dated 16 July.

**Summary of Centrica's position**

- Centrica remains strongly supportive of Ofgem's proposals as set out in the consultation paper
- We agree that there must be no re-packaging of existing obligations
- We remain committed to the fundamental principles of additionality
  - We agree that any tariff claiming to be green must incorporate an activity that results in the delivery of an environmental benefit
- We are disappointed that the supplier community hasn't yet been able to agree to a self governance model of verification - but we will continue to support ERA's attempts to facilitate a solution
- We believe that the guidelines should only apply to domestic/ SME market at first (and then rolled out to the I&C market in a later second phase)
- The timescales proposed by Ofgem for the establishment of the accreditation scheme and the independent accreditation body (i.e. in 2008) are extremely unlikely to be met
- No restrictions must be placed on supplier advertising until the scheme has been agreed

Centrica remains fully committed to the principle objective of seeking to cut customer confusion in relation to green supply offerings. We agree with Ofgem that customers have a right to expect that if they chose a green tariff, they are contributing towards making a difference; i.e. that there is a positive environmental impact as a result of their action. And in our view, additionality remains central and unequivocal to that proposition. We therefore commend Ofgem's current direction in this regard.

We support Ofgem's assertion that simply re-badging or re-packaging an existing portfolio of generation as 'green' is misleading to consumers. This only serves to give the impression that by purchasing energy through one of these 'green tariffs' an environmental benefit will follow – when this is not the case. Consumers have already made a contribution to renewable generation via their bills through suppliers' RO obligations, and this is why we believe that additionality is key; otherwise suppliers could be open to the criticism of double counting or 'green washing'.

Whilst we remain of the view that ultimately, the non-domestic (I&C) sector should be covered by these guidelines, we now have concerns that this is viable in the short term. The Green Supply Guidelines Working Group (which we have fully supported throughout) has only primarily focussed on the domestic/SME market. We therefore believe that Ofgem should now concentrate its efforts on getting a domestic/SME scheme up and running; and only once that has been established, tested and its benefits proven, should Ofgem turn its attention to the I&C market. This would also allow time for

suppliers to properly impact assess a scheme which could sit alongside the very different legislative regime which governs the non-domestic market.

Centrica continues to oppose any attempts to combine 'renewable' and 'low carbon' ratings into one rating scheme, or any scheme which attempts to manipulate FMD supplier level data down to a tariff level. We are pleased that Ofgem has moved away from that considering these ideas. We believe that effectively running two rating schemes side by side or slicing and dicing FMD data will only serve to further confuse customers; rather than make things clearer.

We are disappointed that the ERA facilitated Working Group wasn't able to reach a broad based consensus amongst all suppliers, but we remain committed to finding a solution which is aligned to Ofgem's principles as currently proposed. We would however, like to offer our thanks to ERA for facilitating and supporting the Working Group to date – and extending its support to the whole supplier community (i.e. not just ERA members). Our response should therefore be read in conjunction with the ERA response which sets out the many areas of agreement between suppliers.

Given that no agreement on the contents of a verification scheme has been reached, we do not believe that the Ofgem aspiration of a scheme agreed in principle by September and implemented with a verification body by the end of 2008 is now feasible. This is a view supported by the BSI which has indicated that a standard would take six to nine months to develop – with a further three months to implement.

We therefore seek an assurance from Ofgem that suppliers be able continue to advertise as per the current ASA guidelines until such a scheme is agreed and implemented.

Our responses to the specific questions raised in relation to the verification scheme within the consultation paper are now set out below:

## **CHAPTER: Three**

### **Question 1: Do you think that the suggested information in tiers 2 and 3 is appropriate to ensure that consumers have access to the information they need?**

We broadly agree with Ofgem's proposals for tiers 2 and 3, however, we re-emphasise that the FMD information, which we already provide, is sufficient information for consumers, and we oppose any further slicing and dicing of the FMD which would only serve to mislead customers further.

We believe that any further or additional information could be hosted on suppliers' website.

### **Question 2: Are the examples of additionality that are suggested all correct? Should any alternative examples be included? Is the threshold of 1MW for small scale renewable/low carbon generation appropriate? If you think an alternative threshold would be more appropriate please explain why.**

We believe that the non-exhaustive list is acceptable, however, we still support the retirement of ROCs as a measure of additionality – as set out in all of our previous responses.

We do not agree with the concept of a 1MW threshold, as this may have the perverse incentive of discouraging R&D and small scale renewable trials.

### **Question 3: Is the example related to the proposed bands (gold, silver, bronze, etc) appropriate? If you think an alternative way of setting a minimum standard and associated ratings would be better, please explain why and how it would work in practice.**

Whilst we believe that a carbon abatement proposition would be an ideal longer term solution, in terms of feasibility and expediency of delivery, ranking by expenditure remains the most pragmatic approach within the timescales and funding available. Therefore we support ranking by expenditure.

In terms of a minimum expenditure threshold (i.e. an investment which will lead to an environmental benefit) for additionality, we believe that the illustrative example set out in Figure 3.2 works very well (i.e. a minimum of £10 environmental investment per customer per tariff.)

We fully support Ofgem's proposals in relation to the example provided in the consultation paper.

**Question 4: What are your views regarding the treatment of additionality for non domestic customers, particularly with respect to the most appropriate way to rate these tariffs?**

As we state above in the main body of our response, we now believe that the I&C community should be exempt from these green guideline proposals as the CRC commitment is in conflict with the proposed list of additionality measures as set out in the consultation paper.

We believe that these guidelines should apply to the SME Sector (i.e. those customers who are not already included within the CRC) – and that the I&C Sector should follow later – i.e. after the scheme has been established, tested and proven for domestic/SME customers.

**CHAPTER: Four**

**Question 1: For suppliers, do you accept the guidelines in principle?**

Yes; we fully support these latest guidelines and offer our commitment to Ofgem to deliver against the proposals as currently drafted.

**Question 2: What form of accreditation scheme will it be possible to deliver by the end of 2008?**

As stated above, we do not believe that the timescales as proposed are realistic (i.e. delivery by end of 2008), however we believe that a scheme could be delivered by end of H109.

**Question 3: Are there strong reasons to delay establishment of the accreditation scheme beyond the end of 2008? If there are, please explain why and what the benefits of delay would be.**

The only reason for any delay is that we would want the scheme to be implemented properly first time.

I trust that you will find the above helpful.

Please feel free to contact me in relation to any element of our response on 07979 566319, or by email at [nigel.howard@centrica.co.uk](mailto:nigel.howard@centrica.co.uk). In my absence, please contact Hannah Moon on 07769 545418.

Yours sincerely,



**Nigel Howard**  
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