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To: Andrew Wright, Managing Director, Markets, Ofgem [Andrew.Wright@ofgem.gov.uk](mailto:Andrew.Wright@ofgem.gov.uk)  
CC: Hannah Cook, Senior Manager, Ofgem - [hannah.cook@ofgem.gov.uk](mailto:hannah.cook@ofgem.gov.uk)  
CC: Sabreena Juneja, Regulatory and Energy Economist, Ofgem - [Sabreena.Juneja@ofgem.gov.uk](mailto:Sabreena.Juneja@ofgem.gov.uk)

Dear Andrew,

**Joint industry response to the Green Supply Guidelines - Updated proposals** from:

- Bizz Energy
- British Energy
- British Gas
- E.on
- EDF Energy
- Gaz de France
- Good Energy
- Npower
- Scottish and Southern Energy
- ScottishPower
- Smartest Energy

The suppliers listed above are all committed to removing confusion relating to green supply offerings and to improving transparency in this area for all customers. They continue therefore to be very keen for a verification scheme to be put in place for customers on, or interested in, 'green' energy tariffs. The scheme will ideally be based on the new Green Supply Guidelines when they are published, following the end of the consultation process. The suppliers are keen to see Guidelines which deliver verified offers which are clear and transparent to enable customers to make informed choices about the environmental benefit of tariffs.

At Ofgem's request, these companies have been meeting on a regular basis, facilitated by the Energy Retail Association (ERA), since November 2007 to find a solution to setting up a robust scheme for all customers (domestic and non-domestic). To inform discussions and aid decision-making we have also spoken with key stakeholders (e.g. Energy Saving Trust and Eugene Standard) and potential service providers (e.g. BSI) to see how and by when a verification scheme could be put into place.

Despite the Supplier Community giving the ERA-facilitated Working Group its ongoing support and commitment it has recently become apparent that consensus cannot be reached on some of the key principles within the proposed Guidelines. Therefore each company will be responding to the consultation document on an individual basis. However, there are several areas of agreement and these have been listed below. Should Ofgem wish any more information on these areas we would be more than happy to meet with you to discuss them further.

- **Timescales**

The deadline for the consultation document is the 27 August 2008, and Ofgem state that it expects a verification scheme to be set up, and be running, by the end of 2008. However, after discussion with service providers, such as the BSI, it is clear that a robust, fit-for-purpose scheme with longevity cannot be set up in such a short amount of time. Even if the final Guidelines are published by mid-September 2008 this gives a maximum of three and a half months for a scheme to be put in place. Considering that we will be developing the scheme from a standing-start (as previous industry discussions are likely to be superseded by the need for further discussions based on the final Guidelines) this is highly optimistic and unlikely to be successful.

For example, the ERA set up the Energy Supply Ombudsman (ESO) in six months. This was with a defined and agreed model, with a service provider already identified and in place and with only six energy companies involved. With a deadline of just over three months to set up a brand new scheme, with many more energy suppliers, stakeholders and service providers involved this will inevitably take longer. The BSI, for example, takes a minimum of nine months to set up their schemes.

Considering the importance of establishing a robust verification scheme it would be extremely disappointing to be asked to set up a scheme in a manner which is unlikely to have the longevity and robustness to succeed. Questions regarding funding structures, procurement and tendering of the service provider, customer testing and feedback, and many more remain and these must be resolved before any scheme can start. This expectation also does not take into consideration the development time and research suppliers would need to put into new tariffs to offer for verification. Realistically industry would require a minimum of nine months to set up the scheme.

- **Customer Segmentation**

The workshops have mainly focussed on domestic customers and so far less focus has been given to the business sector. Setting up a verification scheme for domestic customers would, in essence, be a fairly simple though time consuming procedure. In contrast, due to the potential overlap with both existing and forthcoming legislation and reflecting the different needs of the non-domestic, particularly the I&C market, there would need to be much more attention focussed on this market before any decisions over a scheme covering this sector could be developed. Ofgem's current proposals only present a partial picture of the treatment of green supply to business customers and suppliers would have difficulty in supporting the Guidelines as they stand until they have a clearer understanding of the wider implications of such things as DEFRA's forthcoming GHG reporting Guidelines.

Under Ofgem's proposals, it appears suppliers can continue to legitimately supply LEC-backed renewables as climate change levy (CCL) exempt tariffs but will not apparently be able to market them as green. Although Ofgem seems to suggest that green tariffs and CCL exempt tariffs are different products which can co-exist, to many business customers, the two are synonymous. Suppliers are concerned that the marketing of both green tariffs under the Ofgem scheme and LEC-backed renewables may lead to confusion in the business market (both SME and I&C markets). Consumers should be able to purchase a tariff that is both green and CCL exempt but this is not an option under Ofgem's Guidelines. We strongly recommend that Ofgem reviews this anomaly before finalising its Guidelines.

Suppliers are keen to get something in place as soon as possible. Therefore we would suggest that focus at this stage is put onto the development of a domestic verification scheme whilst consideration of a scheme for the business market is postponed to a later phase. We imagine that this could be when DEFRA have concluded their consultation on the forms of additionality they require in products to enable businesses to report reduced GHG emissions. Any scheme focussed on the business sector would need a thorough assessment to ensure it is practical and achievable for any verifier.

- **Verification Mark and Customer Education**

Any quality mark should be simple, easy to understand and be thoroughly consumer tested before it is launched.

There is a potential role for a wider education programme to take place by the verifier, in conjunction with other stakeholders, such as EST, Carbon Trust etc, and other government education initiatives, e.g. Act on CO2.

- **Business as Usual**

Currently suppliers marketing 'green supply' tariffs are under close scrutiny by the ASA, which has not been slow in using its powers over recent months and indeed, has upheld complaints against suppliers in this very area. In addition, Ofgem's proposed Guidelines have changed significantly over the past 12 months. Therefore, until a final green supply guideline document is published suppliers will continue marketing their tariffs as usual. This will bring consistency and reassurance for customers who are already on these tariffs.

- **Verification**

All suppliers are keen that any tariffs submitted to the new verification scheme are fully verified. This means that any claims they make as part of these tariffs can be audited by the verifier and that there are the correct reporting structures in place.

- **Funding**

Suppliers all support a verification scheme to which they pay a fee for accrediting their tariffs. However, the requirements of the verification scheme are being driven from a set of Guidelines which are not fully supported by all suppliers. In fact some suppliers argue that the confusion is not as great as Ofgem state. Suppliers are prepared to pay the incremental cost of having products verified but less prepared to pay the costs of developing the scheme. This is because without knowing how many suppliers will sign up to the Guidelines, it is impossible to ascertain how much each supplier (i.e. the founding members) will have to contribute towards the set up costs. Suppliers feel that the development costs should be borne by the sponsoring government agency in the same way that the development of the scheme to support the Code of Practice for Carbon Offsetting is being paid for by DEFRA. A joint scheme supported by government, Ofgem and suppliers will also provide more confidence to consumers and consumer bodies.

- **Guidelines Review**

The Green Supply Guidelines review process that has taken place over the past 18 months has taken a lot of resources from suppliers. Suppliers require an assurance that the new Guidelines are not reviewed for a minimum of three years (as it could take up to 12 months for the scheme to be in place and tariffs using the 'brand') after the new set of Guidelines are introduced, unless there is a significant shift in legislation that would impact on them. This does not prevent new forms of additionality being added into the Guidelines. After three years it will be clear to see how the verification scheme is developing and how any new legislation will impact on the Guidelines. The verification scheme is expected to have regular reviews to check that customers are clear on what it is offering and so that any small modifications can take place.

Suppliers look forward to Ofgem making a final decision with its Green Supply Guidelines so that those suppliers who choose to develop new green products within the Guidelines can then work with Ofgem, Government and other stakeholders to set up the necessary verification scheme.

An industry group hopes to convene once again when Ofgem have published its final Green Supply Guidelines.

If you would like any further information please do not hesitate to contact me on 020 7747 5431 or [Frances.Williamson@energy-retail.org.uk](mailto:Frances.Williamson@energy-retail.org.uk).

Yours sincerely,

Frances Williamson, Energy Retail Association, on behalf of:  
Bizz Energy, British Energy, British Gas, E.on, EDF Energy, Gaz de France, Good Energy, Npower, Scottish and Southern Energy, ScottishPower and Smartest Energy.