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European Strategy & Environment
Ofgem
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4 August 2008

The Energy Saving Trust response to Ofgem's consultation on the green supply guidelines: Updated proposals.

Dear Sabreena,

I am writing in response to your consultation on the green supply guidelines on behalf of the Energy Saving Trust.

The Energy Saving Trust has major concerns about the proposal around:

- renewable energy versus other environmental benefits
- additionality
- transparency

We are concerned that under the proposed guidelines green tariffs will not automatically have to be about renewable energy, something consumers are clearly expecting of these tariffs. In Ofgem's own study commissioned from MORI, it was shown that for most, 'green' in energy terms means the same thing as renewable energy. We are disappointed that the views of consumer appear to have been ignored. If the guidelines are progressed as proposed, in our view it is difficult to see how green tariffs can make a meaningful contribution towards increased renewables supplies in the UK. We see little point in the value in these tariffs in the context of renewables and do not think these are *green* tariffs as consumers perceive them.

In addition, whilst we understand the challenge posed by the Renewable Obligation for suppliers, the proposed guidelines do not go far enough in promoting additional renewables. Our own research shows that over one third of all households were interested in signing up to a renewable energy tariff, once the concept had been explained to them. This is not a negligible market share and could provide funding for additional renewables. But in the proposed guidelines, the decision has been taken to deny customers the chance to use their buying power to drive more demand for renewable energy in the long term. More customer demand would lead to more investment in renewable energy and encourage suppliers to plan to exceed their obligations in the future.

We also have concerns regarding transparency as the proposed changes to the guidelines do not prescribe tariff specific fuel mix disclosure but only supplier's overall fuel mix disclosure. What consumers want to know is how much renewable

energy is being produced as a result of them signing up to a green tariff. To refer to the analogy you make on p.10 of the consultation document, if all yoghurts on the market are labelled with the same fat content, although different brands might have contributed different level of fat-free yoghurts to the central processing facility, how can a concerned consumer compare different brands and choose a particular brand to ensure there is more fat-free yoghurt in the mix?

The proposed way around this, according to the consultation document, is to base additionality on other 'environmental benefits', which are not automatically linked with renewable energy. Whilst these are potentially 'good for the environment', we do not think they should be associated with 'green' tariffs as they are not necessarily about additional renewable energy. To go back to the yoghurt analogy, if the suppliers are selling their yoghurts with other added healthy benefits (e.g. with added vitamins), they should not label this product fat-free yoghurt. It becomes a healthy option that is not guaranteed fat-free and should be labelled as such: 'this energy tariff does not contribute to additional renewables but instead invests in, e.g., environmental charities'. Consumers must be able to see upfront that no additional renewable is being produced as a result of them purchasing a given tariff.

We are keen to continue discussions with Ofgem to resolve these headline issues and welcome the recent offer for a meeting to discuss these in more detail. However, given that we do not agree with the overall principles, we see little value in responding to the specific consultation questions.

I look forward to meeting with you again.

Regards,

Sylvia Baron
Renewables Strategy Manager
The Energy Saving Trust