

**ROYAL MAIL GROUP'S RESPONSE TO OFGEM'S CONSULTATION ON UPDATED
PROPOSALS ON THE GREEN ELECTRICITY GUIDELINES**

Royal Mail Group ("Royal Mail") is the operator of the universal service obligation (USO). It is under a statutory duty to provide a letter delivery service to each and every address in the United Kingdom at a uniform price, irrespective of the distance carried. The duty also includes an obligation to carry out at least one collection daily from each posting box.

Royal Mail has been working in conjunction with the Carbon Trust for the last two years to develop and implement an holistic Carbon Management Programme across the Group. Proactive initiatives include the use of 100% certified renewable energy across our GB property estate – for which we took a policy decision not to claim the carbon savings due to concerns over double counting at a national level, the introduction of double-deck trailers to reduce our nightly distribution mileage by c. 20% and the trialling of electric delivery vehicles – all of which have led to a 10% reduction in our direct carbon emissions over the last five years.

This consultation response from Royal Mail addresses specific issues raised in the above consultation paper, published in July 2008. Selected questions from the consultation are answered below.

3. Guidelines: proposed approach

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?

Royal Mail supports the proposal to provide consumers, both domestic and commercial, with additional information concerning the provenance of their supply arrangements. Whilst Royal Mail supports the proposed three tiered approach model, it also believes that the ratings should be referenced against the suppliers' minimum legal requirements, and that for commercial customers the ratings should provide a relative measure of suppliers' additional investment and activities relative to their Renewables Obligation requirements.

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.

Royal Mail supports the proposed approach to recognise activities additional to the normal 'business as usual' services provided by suppliers. However, Royal Mail believes that the definition of 'non-domestic' additional measures should be restricted to activities that genuinely contribute to enhanced renewable generational capacity – i.e. over and above the Renewables Obligation – in the UK.

Royal Mail believes the inclusion of carbon offsetting in the additionality measures would be a distraction from the primary focus of increasing renewables capacity, and should therefore be excluded from the definition. Royal Mail supports the focus on energy efficiency activities but believes corporate customers will discuss this issue directly with potential suppliers when negotiating specific supply contracts. Royal Mail believes that the inclusion of such a measure in a labelling system, based on suppliers' generic energy efficiency activities (rather

than that of the specific corporate customer), will not add significant value to the corporate customer.

Similarly, Royal Mail believes that the proposed thresholds, based on expenditure, would not be as effective a measure as thresholds based on additional renewable capacity relative to the Renewals Obligation requirements.

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.

Royal Mail recognises that a banded approach to rank/rate suppliers is required for domestic customers and to a lesser extent for corporate customers; with the latter likely to purchase from robust banded sources that increasingly resonate with their own corporate and domestic customers.

However, Royal Mail reiterates that this banding should indicate relative additional performance against legal obligations rather than the proposed 'green' criteria.

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

Royal Mail believes the 'non-domestic' tariffs should be referenced against a legal minimum baseline – e.g. 'Gold rating' indicating renewable generational capacity 10% above the Renewals Obligation requirement. Whilst the customers of such supply arrangements would not be able to claim the carbon savings associated with such an approach, they would be able to recognise and reward those proactive suppliers that had invested and delivered additional capacity over and above their legal requirements, by awarding their supply contracts accordingly. In addition, both the customers and suppliers could legitimately claim that they were proactively contributing to the UK's renewable capacity.

Should you require any further information or wish to discuss any aspect of this submission, please contact Simon Francis in the Sustainable Development Team at simon.m.francis@royalmail.com or on 01793 438189.

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Royal Mail Group