

The Retail Market Review – Findings and Initial Proposals:

Consultation Response from the Secretariat of the Green Energy Supply Certification Scheme

Introduction

This consultation response has been put together by the National Energy Foundation who provide the secretariat function to the Green Energy Supply Certification Scheme that implements Ofgem's Guidelines on green electricity tariffs. Owing to the timing of Panel meetings, this response has not been discussed with the Green Supply Panel, nor with Members of the Green Energy Supply Collaboration Group (GESCA), although as all GESCA Members are utilities, it is expected that they will make their own submissions. The responses are focused on our view as to whether the market structure, as it currently exists, provides the right environment for consumers considering switching to a green tariff.

As requested by the RMR team, we will attempt answer the specific questions to enable a more consistent analysis of responses by Ofgem. All our answers relate specifically to the electricity element (although will generally also apply to dual fuel offerings).

Question 1

We would agree with the broad findings that there are barriers to new entrants to the retail electricity market and that consumers are often on tariffs that are not especially appropriate to their needs. We do not express an opinion on whether there is a causal relationship between the two findings.

Question 3

We note that under the initial proposals, suppliers may be limited to one evergreen product per payment method and that all other contracts should be for fixed terms. **We would strongly recommend that suppliers should additionally be permitted to offer a "green" evergreen tariff**, with similar safeguards to standard tariffs to avoid the requirement that consumers may get automatically placed back onto a standard brown tariff after a period of time.

Question 6

We would not be opposed to a standardised metric to allow consumers to compare evergreen tariffs across suppliers (and by extension between green and standard tariffs). We are aware that this might show more clearly that certain green tariffs cost more than standard tariffs, but this would support one of the main aims of the Green Energy Supply Certification Scheme which is to improve transparency about green offerings in the market. We also hold the view that consumers purchasing a green tariff will be intelligent enough to understand that in most cases a proper green tariff will need a premium to fund the additionality and matching provisions, and that where no-premium green tariffs are available they are implicitly cross-subsidised by regular tariffs.

Question 7

While we could foresee that greater pricing transparency might limit the attractiveness of certified green tariffs to a small number of consumers, we feel that the improvement in the overall market transparency would more than offset this effect by creating greater confidence in switching.

Question 9

We do not think that the MA or MMM interventions would significantly affect the likelihood of new green supply offerings in the market, although it may reduce barriers to more suppliers overall.

Question 14

We welcomed the introduction of the requirement to remind Domestic Customers that they can change suppliers, and would like to see companies permitted to add a rider to this statement that they can also purchase green supplies. While understanding Ofgem's concern about subverting

this requirement into a marketing statement, we would not wish the rules around permitted statements to be drawn so tightly that this was no longer possible. We would naturally welcome Ofgem's encouragement of suppliers to make an additional statement about the possibility of switching to green tariffs.

Questions 19-24

The Green Energy Supply Certification Scheme also applies to micro-businesses with an annual consumption of 55,000kWh or less. However we note that take up of green tariffs in this sector is extremely low, in part because of a very small number of certified tariffs being made available. We suspect that this market is not very liquid and that such micro-businesses would benefit from greater transparency. In most such businesses, purchasing of utilities tends to fall under an office manager or accounts departments, which may have little time available to seek out the best deals on non-core purchases, and may consequently be unaware of alternative suppliers. We are also aware of some businesses being locked into long contract periods associated with a lease when they first take up occupation of premises (where the supply contract has been signed by the landlord on an empty building).

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