



Suppliers, customers, Non-Governmental Organisations and other interested parties

Promoting choice and value for all customers

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Dear colleague

Review of the Green Energy Supply Scheme Guidelines

In 2009/10, we issued final guidelines governing the operation of the Green Energy Supplier Certification Scheme ("the Scheme"), which was implemented in 2010/11.

The overarching aim of the Scheme is to provide clarity to consumers that the energy they are buying via 'green' tariffs comes from a renewable source and that these tariffs have an environmental benefit over and above that covered by suppliers' existing Renewables Obligation (termed "additionality" in the Scheme).

The Scheme is voluntary¹, and administered by an independent Panel and secretariat (the "Panel") which interpret the Ofgem guidelines through a procedural 'Rulebook'. All Scheme tariffs are verified annually by independent auditors. All Scheme costs are met through participating Supplier subscriptions. Currently there are 10 certified green tariffs, provided by 7 suppliers.

Why review the Scheme now?

Although the tariff certification process is working well, a number of factors support a review of the Scheme at this time:

- **At the launch of the guidelines in 2009 we undertook to formally review the Scheme** *"once the accreditation scheme is in place and sufficient experience has been gained"*. Since GESCS tariffs were first offered to domestic customers in 2010, a sufficient number of tariffs have now undergone the full cycle of implementation, take-up and independent verification to allow a review to take place.
- **Certain developments in the green tariffs market could be affecting tariff transparency.** Growth in the certified green tariff market has been moderate whereas the known non-certified green tariffs market appears to be growing, raising implications for continued consumer clarity over the nature of green offers.
- **Current GB Fuel Mix Disclosure (FMD) arrangements and market responses may not be delivering the intended transparency for consumers.** We propose to explore how these arrangements are working, as information relating to suppliers'

¹ We are involved in a voluntary Scheme as we led the original development of the Scheme, and retain ownership of the Guidelines. We maintain an involvement to ensure tariff transparency and to protect consumers' interests.

fuel mix underpins the Scheme, providing consumers with information at point of sale of a green tariff, to enable a more informed choice.

- **The Scheme Panel has recently undertaken a consultation** which highlighted a number of potential revisions and improvements to the current Scheme.
- **A review of the Guidelines also affords an opportunity to consider future governance options** and potentially the Scheme itself (to be considered in conjunction with the Panel and Membership), including Ofgem's continued role within the Scheme.
- **This review is also timely, given our Retail Market Review (RMR) announcement², in which we have confirmed that at this stage suppliers will only be able to provide green tariffs as one of the four core tariffs they offer.** This development and DECC's *Ensuring a Better Deal for Energy Consumers*³ may have implications for the tariffs currently available in the market. We want to work with suppliers and market participants to better understand the implications of these developments on green tariffs.


Next steps

We are publishing this letter to set out our commitment to working with the Panel, suppliers and stakeholders to consider the future direction, role and form of the Green Energy Supply Certification Scheme Guidelines. We anticipate a process of discussion, evidence gathering and consultation over the coming months which will provide greater clarity over the future direction of the Guidelines. The conclusions of this review will also influence further consideration of green tariffs under Ofgem's Retail Market Review.

We will set out our emerging thinking in Summer 2013, preceded by a stakeholder workshop, and keep stakeholders informed of the scope of the review and key findings as the review progresses.

If you have any queries, please contact Natasha Smith (Natasha.Smith@ofgem.gov.uk or 0207 901 1821) in the first instance.

Yours sincerely



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² RMR press release: <http://www.ofgem.gov.uk/media/pressrel/Documents1/RMR%2021-02-13.pdf>

³ DECC decision document:
https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/65615/6996-better-deal-energy-consumers.pdf