

David Hunt, Head of Retail
Ofgem/Ofgem E-Serve
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Dear Mr Hunt

The Retail Market Review – Final domestic proposals

I am writing in response to the latest proposals under the Retail Market Review, to offer the observations of the National Energy Foundation on how the current proposals will affect the UK market for green electricity tariffs. These draw on NEF's role as the Secretariat for the Green Energy Supply Certification Scheme established to permit domestic electricity suppliers to comply with Ofgem's green supply guidelines, but also from our experience in encouraging consumers to improve their use of energy in buildings for almost 25 years.

Our overriding observation is that the current proposals will lead to a significant reduction in the number of Green Tariffs currently certified for compliance with Ofgem's own Guidelines, undermining consumer confidence in the remaining tariffs and reducing consumer choice. In particular:

1. Our soundings as the Secretariat suggest that several suppliers currently offering certified green electricity will no longer wish to offer a green tariff.
2. Many energy consumers who have already proactively chosen green energy will now be forced onto an unwanted "brown" tariff with no option to remain green using their current supplier.
3. The possibility of an opt-in green bundle put forward in the Ofgem proposals will not work as supply elements, including the purchase of REGOs to match supply, are explicitly prohibited.
4. Even if bundles were permitted to include supply elements that allow the matching requirement under Ofgem's guidelines to be met, it appears unlikely that sufficiently many consumers will sign up for the opt-in to justify Suppliers offering this option.
5. Consequently we expect the number of green tariff offerings available to consumers will decline, and that consumer choice will fall.
6. This is likely to lead to certain types of additionality (such as energy efficiency schemes or international offsets) no longer being available to domestic customers.
7. Independent certification needs a minimum number of Suppliers within the Scheme for tariffs to be credible and commercially viable.
8. Therefore our view is the effect of the current proposals would be that the Scheme in its current form would likely to be unviable and collapse.
9. This risks a return to the pre-scheme position of dubious green claims ("greenwash").

We also consider that the statement in the impact review “Our proposal will raise consumers’ awareness of energy information including an increase in the awareness of consumption information, and so it may lead consumers to be more environmentally conscious” is not supported by consumer behaviour and that a concentration on cost tends to reduce interest in implementing energy efficiency measures.

Over its almost 25 years in dealing with enquiries from the public, it is clear to NEF that there is a demand from consumers to be able to buy 'renewable energy', and to be confident that purchases are based on a recognised standard and not just 'greenwash'. In addition to the marginalisation of green energy that is a likely outcome of the current proposals, failure to provide this option to domestic consumers may lead to more inappropriately sited renewable energy installations, if they are perceived as the only way to 'go renewable'. A reduction in the number of available tariffs or potential demise of the scheme could therefore have unforeseen consequences wider than just around purchasing of certified green electricity.

Our recommendation, which is supported by Suppliers within the Green Energy Supply Certification Scheme is that there should be a special derogation for certified green tariffs, in effect creating a “four plus one” situation. In its capacity as Secretariat for the Scheme, NEF would strongly encourage that serious consideration be given to this alternative which would allow consumers the continuing option to choose independently certified green tariffs compliant with Ofgem’s own guidelines.

I hope you find these observations constructive and would be happy to respond to any questions arising.

Yours sincerely

Ian Byrne
Deputy Chief Executive – National Energy Foundation
Secretariat – Green Energy Supply Certification Scheme