

Sustainable Energy Policy Team
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Improving Consumer Protection in the Green and Renewable Energy Offers Market

Question 1: Do you agree with our proposed updates to the principles of transparency and additionality?

We agree with the Ofgem updates on transparency, with a clear description of the volume test the key part of any retailer marketing their supply as 'renewable'.

However, the key issue at present is that the current 'green' market only has one company signed up to the existing Green Energy Supply Certification Scheme (GESCS) in the domestic market. This allows other companies to continue to advertise their tariffs as 'green' (or variations thereof). Some offer a partially green tariff (such as a 15 per cent 'green' tariff), however, the most common approach is to advertise the tariff as 100 per cent renewable.

This leads to a confusing and disjointed market, with only one company GESCS certificated. Consumer Futures is concerned that even with the suggested proposals, this situation is likely to continue.

The additionality aspect remains important, and is arguably the only tangible benefit of the scheme. The market share of Green Tariffs is under 2 per cent, yet the renewable energy generation mix in the UK achieving 12.3 per cent in 2012,¹ there is no competitive difficulty or driver in achieving the need supply balance.

Consumer Futures would like to see greater efforts made for the GESCS scheme to promote demonstrable programmes rather than offsetting.

¹ <http://bit.ly/1gyRxxw9>

Question 2: Is the current CO₂e abatement threshold of 1tonne of CO₂e emissions abated per tariff per annum (or broadly equivalent materiality depending on the additionality type) appropriate?

We recognise that the current difference between projects (50kg of CO₂e per tariff per year) and offsetting (1 tonne of CO₂e emissions abated) gives retailers an incentive to develop Green Funds rather than offsetting, however, Consumer Futures feels this doesn't go far enough.

The variability of the prices of current 'green' or 'environmental' tariffs can range from a premium of £6 to £58 compared to the current retailers 'standard' tariff.² However, while the carbon offset schemes can differ, they can be acquired within a range of £1-10 per tonne of CO₂e. This is a potentially huge disparity between the retailers' environmental output and the consumers' expectations. Barring the negligible difference in renewable generation, many customers would be both financially better off and 'doing more' for the environment by entering into private carbon offsetting schemes.

Consumer Futures would like there to be far more transparency on the abatement schemes selected to ensure cost reflectiveness, coupled with a much greater threshold to encourage more tangible additionally.

Question 3: Do you agree that our updated green supply guidelines should apply to any electricity tariff whose proposition relates to the supply of renewable energy alongside additional environmental benefits at tariff level?

Yes, Consumer Futures has concerns with the confusion over accredited Green tariffs and other retailers making claims or advertising their tariff as 'green', 'greener', 'renewable' or 'environmental'. While we can understand Ofgem's reluctance to prescribe allowable terms that fit within the 'Green Offers' market, we feel this leads to greater confusion. The plans for non-accredited 'Green Offers' to offer disclaimers to clarify the details in fine print will only further confuse if the headline offer states it is 'green'.

We feel that there should be guidance cautioning against the use of any language that implies 'green', 'environmental', or 'renewable' unless they are under the accreditation scheme.

Question 4: Do you agree with our proposals for nuclear and CHP tariffs?

Yes.

² Based on an English Medium usage Monthly Direct Debit customer

Question 5: Do you agree that environmental bundles should avoid broad terms such as green or environmentally friendly when marketed to consumers?

We feel that any environmental bundles should be available to all the retailers' available tariffs in keeping with the new standards of conduct principles.

We feel this would still allow companies to have environmental offers, as well as allow carbon abatement, while having a clearer 'sell' to the consumer. We believe is this an improvement on having such 'green offers' being wrapped up with tariffs and electricity usage; this way they can be clearly labelled and costed.

Question 6: What do you think are the pros and cons of all, or some, of our proposed principles for green tariffs being extended to large non-domestic consumers? Is 100,000 kWh an appropriate threshold?

N/A

Question 7: Do you have a preferred implementation and verification option? Why?

We would favour option 4 as laid out in the consultation document; we feel this would give consistency and greater take up across the scheme.

We recognise the additional cost with the independent accreditation scheme, and the current argument that this is a barrier for smaller suppliers not joining the current scheme. However, we feel the current costs do not add a significant block to retailers offering a specialist tariff and is not an unreasonable additional cost of doing business.

In regards to making this a Standard of Conduct or specific licence condition, we feel the current voluntary scheme has not been a success, as evidenced by the current low take up of accreditation. While we understand the difficulties in both adding additional regulation, as well as the reluctance to offer prescriptive guidance in this area, the alternative is for it to continue to offer little additional protection for consumers.

Question 8: What is the best method of ensuring that the principles are consistently applied in the market?

As above.

Question 9: Do you agree that a prescriptive approach should be applied to the additionality principle for green tariffs? If so what activities should be included?

Consumer Futures feels the independent accreditation board are well placed to adjudicate, although as referenced above, we would like to see more ambitious balance between those schemes that offer demonstrable schemes against carbon offsetting.

Question 10: Do you agree that there is a need for increased transparency around the sale of other renewable energy tariffs?

Consumer Futures agrees with Ofgem's analysis of the confusion the consumer faces in this market, particularly around the actual fuel mix that is being delivered to their homes.

We also agree with Ofgem that current 'green offer' or 'renewable' tariffs do not impact companies' 'business as usual' activities, and that UK Government driven support for renewables should not be packaged as anything different to those companies' strategic energy buying profile.

However, we believe that a message at the point of sale clarifying 'additionality' will further confuse the market. We also feel this will lead to confusion at that the point of sale, such as comparison sites, where accredited and non-accredited 'Green' tariffs are grouped together.

For simplicity of message, we feel that only accredited green tariffs should be able to be advertised as such.

Question 11: Do you agree that other renewable energy tariffs, without any tariff level environmental benefits, should follow our 'transparency' principles for green tariffs (excluding requirements relating to additionality)?

As above.

Question 12: What is the best way to convey to consumers at the point of sale that purchasing the tariff will not drive additional environmental benefits? If this is a message, what should it be?

As above.

Question 13: Do you agree that other renewable energy tariffs should also follow the 'evidence of supply' principle?

As above.

Question 14: What do you think the pros and cons of our proposals for other renewable energy tariffs being extended to large non-domestic consumers are? Is 100,000 kWh an appropriate threshold?

N/A

Question 15: Do you have a preferred implementation option for our proposal for other renewable energy tariffs? Why?

N/A