



Sustainable Energy Policy Team
Ofgem
9 Millbank
London
SW1P 3GE

Email to: Sustainable.Energy@ofgem.gov.uk

14 February 2014

Improving Consumer Protection in the Green and Renewable Energy Offers Market

EDF Energy is one of the UK's largest energy companies with activities throughout the energy chain. Our interests include nuclear, coal and gas-fired electricity generation, renewables, and energy supply to end users. We have over five million electricity and gas customer accounts in the UK, including residential and business users.

EDF Energy supports Ofgem's proposed updates to the 'Green Supply Guidelines' in the consultation and also outline in the below where there are some areas where Ofgem should go further to ensure there is clarity and consistency for all low carbon tariff offerings.

Updating the principles of transparency and additionality for domestic consumers and micro businesses is sensible. We also support the proposals relating to additionality due to customers' expectations for tariffs marketed as 'Green'. The prevention of 'double counting' with rigorous procedures is vital and therefore we fully support the Evidence of Supply rules as outlined in the consultation.

EDF Energy fully supports the proposals for nuclear and CHP tariffs in terms of clear marketing but Ofgem should go further and clearly stipulate that non-renewable low carbon tariffs, such as nuclear and CHP, should be treated in an equivalent manner to renewable tariffs in relation to the 'evidence of supply' principle. For example, EDF Energy uses the Fuel Mix Disclosure process and external verifications to support our own low carbon tariff claims. It is essential that there is clarity and consistency across all low carbon tariff offerings, and therefore would urge that this is included in the updated guidelines.

In addition, the rules around Renewable Energy Guarantees of Origin (REGOs) and Levy Exemption Certificates (LECs) to evidence supply should be clarified and enforced for the sale of electricity at all levels. In particular, there should be clarity around the principle that a LEC Backed supply on its own is not renewable and no claims should be made by the supplier or business end user.

EDF Energy
40 Grosvenor Place, Victoria
London SW1X 7EN
Tel +44 (0) 20 7752 2187

edfenergy.com
*EDF Energy plc.
Registered in England and Wales.
Registered No. 2366852.
Registered office: 40 Grosvenor Place,
Victoria, London SW1X 7EN*

Our detailed responses are set out in the attachment to this letter. Should you wish to discuss any of the issues raised in our response or have any queries, please contact John Mason on 07792 965898, or myself.

I confirm that this letter and its attachment may be published on Ofgem's website.

Yours sincerely,

A handwritten signature in blue ink that reads "Paul Delamare".

Paul Delamare
Head of Downstream Policy and Regulation

Attachment

Improving Consumer Protection in the Green and Renewable Energy Offers Market

EDF Energy's response to your questions

Chapter two questions

Q1. Do you agree with our proposed updates to the principles of transparency and additionality?

EDF Energy supports Ofgem's proposed updates to the principles of transparency and additionality for domestic consumers and micro businesses. It is vital that consumers are fully aware of the characteristics of the tariff they are being sold and the transparency rules as outlined provide this.

We also support the idea that tariffs marketed as "Green" may contain additionality given a consumer or micro business will have an expectation that the tariff results in additional activity that would not take place in the absence of the tariff.

In addition, we agree that the prevention of 'double counting' with rigorous procedures is vital to ensure 'renewable' electricity is not sold twice. Therefore, we fully support the Evidence of supply rules as outlined in paragraphs 2.24 and 2.25 which fully evidence the renewable quality of a tariff.

Q2. 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?

EDF Energy has no evidence that this threshold should be amended.

Q3. 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?

EDF Energy agrees that the updated Green Supply Guidelines should apply to any electricity tariff that offers the supply of renewable energy alongside additional environmental benefits at tariff level to domestic and micro business customers.

The key issue is that such tariffs offer additional environmental benefits which are the reason that extra rules and evidencing requirements for issues such as additionality within the guidelines are needed.

Q4. Do you agree with our proposals for nuclear and CHP tariffs?

EDF Energy fully supports the proposals for nuclear tariffs and with the proposals to stipulate that when making low carbon claims the word 'nuclear' is highly visible at the point of sale. Ofgem's research highlights that nuclear "is broadly seen to sit somewhere

between fossil fuels and renewable.” This demonstrates that further activity needs to take place to educate consumers that nuclear and renewable generation are both low carbon as opposed to fossil fuel generation.

EDF Energy has already taken this approach in the marketing of our innovative low carbon nuclear tariffs. This transparency is combined with full Evidence of Supply documentation, based on the Fuel Mix Disclosure with full external verification, to ensure that there is no double counting of low carbon nuclear generation.

Q5. Do you agree that environmental bundles should avoid broad terms such as green or environmentally friendly when marketed to consumers?

EDF Energy supports Ofgem’s view that clarity is required in the marketing of green or environmentally friendly bundles. Therefore, it would not be appropriate to use such broad terms. However, it is not clear how this will be enforced or how clarity will be provided to suppliers to inform their marketing strategy or for Ofgem to take action where there are concerns.

Q6. 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?

As is recognised in the consultation larger companies may have dedicated energy managers and will make more informed decisions on energy purchasing. Therefore, it is unclear what benefits will be brought from extending the Green Supply Guidelines to this sector.

There are set principles which should be prevalent throughout all energy purchasing, such as evidencing supply where any low carbon or renewable claims are made. However, some aspects of the Guidelines such as requirements over transparency will not be required as energy contracts will be negotiated by company experts who will ensure that they have been informed with all relevant information. Larger companies often negotiate bespoke contracts to meet their particular needs and the setting up such rules could have an adverse impact on their ability to do so.

We outline our preferred approach for larger customers in our response to questions in the next chapter.

Q7. Do you have a preferred implementation and verification option? Why?

To ensure a fair market and transparency and consistency for customers it is essential that there is effective and proportionate regulation which is adequately enforced. For this reason EDF Energy supports Ofgem-led regulation (Standards of Conduct/specific licence condition and supplier led verification) being adopted.

This should be broad ranging and not only in relation to where Green Supply Guidelines are used but also include wider issues relevant to evidencing supply and appropriate use of REGOs with LECs.

Q8. What is the best method of ensuring that the principles are consistently applied in the market?

As we have outlined in our response to the previous question such principles can only be consistently applied to the market if a non-voluntary regulation-led approach is implemented.

Q9. Do you agree that a prescriptive approach should be applied to the additionality principle for green tariffs? If so what activities should be included? Please provide evidence to support your answer.

EDF Energy supports such a prescriptive approach being taken. It is not clear how an alternative approach could be implemented in a clear and consistent manner across all suppliers.

Chapter three questions

Q10. Do you agree that there is a need for increased transparency around the sale of other renewable energy tariffs?

There are set principles which should be prevalent throughout all energy purchasing, such as evidencing supply where any low carbon or renewable claims are made. To provide such clarity Ofgem should ensure that all renewable and low carbon, including nuclear, energy tariffs are aligned with the expert guidance published by the World Resources Institute on greenhouse gas reporting. This should be a key deliverable from this consultation and will ensure the UK aligns with international standards and provide consistency for those offering such tariffs as well as those who benefit from them.

Q11. 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)?

Yes, but only for domestic and micro business consumers. If the proposals for renewable energy tariffs are extended to larger business then this would not be required. This is due to the fact that energy contracts will be negotiated by company experts who will ensure that they have been informed with all relevant information.

Q12. 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?

We do not support conveying such information at the point of sale. Suppliers would not be able to provide any additional claims except the renewable nature of the energy provided which is evidenced through the REGO approach.

Q13. Do you agree that other renewable energy tariffs should also follow the 'evidence of supply' principle?

Yes, the rules around Renewable Energy Guarantees of Origin (REGOs) and Levy Exemption Certificates (LECs) to evidence supply should be clarified and enforced for the sale of electricity at all levels.

In particular there should be clarity around the principle that a LEC Backed electricity supply contract on its own does not constitute the full evidence required to make any claims about the supply in regards to the renewable origin. Therefore, no claims based solely on a LEC Backed electricity supply contract should be made by the supplier or business end user.

As Ofgem recognise suppliers should be required to either retire or redeem all LECs associated with any REGOs used to evidence renewable energy across all types of tariffs to ensure they are not later sold on to other customers. This would include in the use of reporting Scope 2 GHG Emissions.

However, and for clarity and consistency Ofgem should clearly stipulate that other low carbon tariffs, such as nuclear and CHP, should be treated in an equivalent manner in relation to issues such as the 'evidence of supply' principle. For example, EDF Energy uses our Fuel Mix Disclosure process and external verifications to support our own low carbon tariff claims.

Q14. 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?

EDF Energy fully supports Ofgem's proposals for other renewable energy tariffs being extended to large non-domestic customers. However, we have no set view as to what an appropriate threshold would be.

Q15. Do you have a preferred implementation option for our proposal for other renewable energy tariffs? Why?

As we have outlined in our response to the previous question such principles can only be consistently applied to the market if a non-voluntary regulation-led approach is implemented.

EDF Energy
February 2014