

Natasha Smith,
Sustainable Energy Policy
Ofgem
9 Millbank
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14th February 2014

Dear Natasha,

Consultation on Improving Consumer Protection in the Green and Renewable Energy Offers Market

Thank you for the opportunity to provide comment on the above consultation. As you are aware Good Energy is a licensed electricity and gas supplier supplying over 34,000 electricity customers with electricity sourced primarily from decentralised renewable generators, and 11,000 customers with gas supporting renewable heat.

Executive Summary

Good Energy welcomes Ofgem's proposals on Green tariffs. The Green tariff market is changing as the larger incumbents withdraw from the green tariff market in which they primarily entered for customer retention reason than any genuine desire to promote green tariffs. This leaves the market open to the newer market entrants to whom green tariffs are at the core of their identity.

We support Ofgem's view that tariff additionality should be continued, but more importantly to control tariffs that only offer renewable energy, often as a small 'repackaged' percentage of their energy portfolio.

If green tariffs are to be successful, then Ofgem must use its ownership of the Confidence Code to ensure only genuine green tariffs can be filtered by the switching sites, and to make sure that renewable tariffs are restricted to unfiltered, standard listings. We also believe that the Green Energy Scheme logo should be retained and promoted by Ofgem.

Finally, we believe allowing other renewable tariffs to call themselves renewable tariffs is misleading, as customers may assume "green" by being a more vague term is inferior to "renewable". Our own analysis shows that these two words are synonymous within the mind of the engaged green consumer – and the proposals for non-certified tariffs to. We believe both words should be the preserve of green tariffs offering additional benefits.

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

Partly. On transparency, we believe that the additional wording about how the electricity market works is too negative, but we are amenable to more positive wording about that explains the principle of "grid average" and physical delivery. For example, "Whilst we source our power from renewable sources to match what you use which we input into the national grid, that actual electricity you use will be dictated by the mix of energy sources in your part of the grid at that time."

On tier 3 we believe that it is misleading to imply that renewable energy is the only source of generation to receive subsidies, and that reference should be made to all sources of power that either receives subsidies or tax breaks in some form or other, including renewables.

Whilst we do not accept Ofgem's view that environmental benefits are driven solely by Government policy rather than empowered customers, we accept the principle of additionality giving the customer assurance they are making a meaningful contribution to the decarbonisation of the UK.

Q2. Is the current CO2 abatement threshold of 1 tonne of CO2e emissions abated per tariff per annum (or broadly equivalent materiality depending on the additionality type) appropriate?

We believe that the current thresholds are appropriate. As the UK grid average carbon intensity reduces then the additionality will increase as a proportionate share. If the thresholds were increased, then this would increase the cost of Green tariffs, thus deterring some customers from choosing such a tariff, or suppliers from offering one.

Q3. Do you agree that our updated green supplier guidelines should apply to any electricity tariff whose proposition relates to the supply of renewable energy alongside additional environmental benefits at tariff level?

Yes, on the proviso that there are additional licence requirements that prevent tariffs not meeting the guidelines from referring to themselves as 'green'. Alternatively, the guidelines should be expanded to cover all renewable tariffs, but enforcing the clear distinction between tariffs with additionality and those without and, as mentioned above, that this should be reflected through the Confidence Code.

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

Yes, but we feel any "low carbon" claims should face the same restrictions as renewable tariffs without additionality. We would support providing grants to good quality CHP schemes as evidence of additionality. At the moment Good Energy supports renewable heat to provide its additionality, but cannot support renewable heat if it is CHP based, which we believe is restrictive.

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

Yes, although we do not believe Ofgem should decide what these bundles should be called, but just ensure they are not misleading consumers into thinking that the actual energy element is green or renewable.

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 100,000kWh an appropriate threshold?

We are fully supportive of extending the Green Supply guidelines to larger businesses and see no reason for a cap on the size of business. Businesses should be able to get the benefits of green tariffs, and many do so for altruistic reasons. Obviously, suppliers will need to make clear that, unlike most countries in the EU, the UK insists that all electricity must use a grid average carbon intensity factor, rather than using supplier or tariff data, and that switching to a green tariff will not reduce their carbon footprint for reporting purposes.

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

Our preference is for Option 3 with Ofgem led regulation and supplier led verification, with option 4 being our second favourite option. We do not believe that a voluntary scheme would be robust enough and thus needs to be regulation. However we believe the current process of supplier led accreditation works well and allows suppliers to manage the process effectively, within constraints set out in the licence and any guidelines issued by Ofgem.

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

We believe that Ofgem should ensure that the principles are clearly set out, including the restrictions on tariffs not part of the scheme. They should not prescribe to the nth degree thus restricting innovation, but should be willing to have an open non-binding dialogue with suppliers when tariffs are at the idea formulation stage.

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.

We share concerns that the current guidelines are too prescriptive. In our view there are two key requirements with regard to additionality. Firstly that it delivers the additionality, and secondly that that CO2e saving can be quantified. As stated above, if Ofgem was willing to hold open, non-binding dialogue with suppliers about what additionality they wish to deliver, then this should ensure consistency without being too prescriptive.

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

Yes. We believe that all tariffs should display the supplier fuel mix at point of sale irrespective of whether they are green/renewable, low-carbon, environmental or standard. This is the purpose of fuel mix disclosure and in our view is not displayed by most suppliers in line with the principles of the new standard of conduct. We believe it would be beneficial for customers on Green or environmental tariffs to see their suppliers' contribution to CO2 output and to raise awareness of CO2 output from electricity generation amongst standard tariff customers.

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. Against the backdrop of RMR making the market easier for consumers to navigate and ensuring they have the power to make informed decisions; this is a key principle in the guidelines as it levels the playing field for the sale of green and environmental tariffs.

Q12. What is the best way to convey to consumers at the point of sale that purchasing the tariff will not drive additional environmental benefit? If this is the message, what should it be?

We agree this should be the message, but it should be simple. "This product is not considered by Ofgem to be an environmentally beneficial tariff". We also believe that allowing them to be referred to as "renewable" is also misleading, and that phraseology should be retained for green tariffs only.

Additionally, we believe that green tariffs should maintain the right to use the Green Energy scheme logo, and that Ofgem should ensure through the confidence code that only green tariffs can be displayed separately on a green tariff filter, and not low carbon tariffs, which should not be capable of being filtered from the main, 'all tariffs' selection.

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

Yes, and they should submit the evidence in line with option 3 in addition to certified green tariffs.

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 100,00kWh an appropriate threshold?

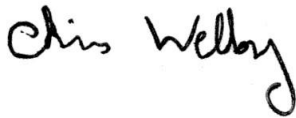
We believe that extending the proposals on other renewable energy tariffs will be beneficial in raising awareness of Green tariffs amongst business users. We see no reason why there should be a cap at 100,00kWh.

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

As with Green tariffs we believe option 3 is the best option for implementation with option 4 second. This will provide consistency around green and low carbon tariffs, and ensure the same standard of customer protection and information is given to customers on either tariff. It will also prevent an administrative premium being added to green tariffs over renewable tariffs.

I hope you find this response useful. If you wish to discuss any of the above further, please do not hesitate to contact me.

Kind regards,

A handwritten signature in black ink that reads "Chris Welby". The signature is written in a cursive, slightly slanted style.

Chris Welby
Policy & Regulatory Affairs Director.