

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

Response by the RE-DISS II Project Team

14 February 2014

Public consultation questions

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

Response by the RE-DISS II Project Team:

Yes. The RE-DISS Best Practice Recommendations¹ advise that “*there should be clear rules for the claims which suppliers of, for example, “green” power can make towards their consumers. There should be rules how the “additionality” of such products can be measured (the effect which the product has on actually reducing the environmental impact of power generation), and suppliers should be required to provide to consumers the rating of each product based on these rules.*” It is considered reasonable that it is helpful information to consumers, even if their product is only marketed as “renewable” offer.

- 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?

Response by the RE-DISS II Project Team:

No comment.

- 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?

Response by the RE-DISS II Project Team:

Yes. See also answer to Question 1.

- Q4)** Do you agree with our proposals for nuclear and CHP tariffs?

Response by the RE-DISS II Project Team:

Yes. With respect to investments in new high-efficient CHP, it is felt that this could be seen as additionality element of a green tariff, as it can significantly help reducing CO₂ emissions without being linked to other essential risks as in the case of nuclear power.

¹ http://www.reliable-disclosure.org/upload/3-RE-DISS_Best_Practice_Recommendations_v2.1.pdf



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

Response by the RE-DISS II Project Team:

Yes. Although from a theoretical point of view environmental additionality can be provided also for a “grey” product, it might support understanding of consumers if there is consistent regulation and terminology within a national market.

- 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?

Response by the RE-DISS II Project Team:

Although it is true that large commercial consumers probably have a higher level of expertise, there is probably no negative impact by extending the Green Supply Principles also to those consumers.

No comment on the appropriate consumption level for micro-business of 100,000 kWh.

- Q7)** Do you have a preferred implementation and verification option? Why?

Response by the RE-DISS II Project Team:

No comment.

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

Response by the RE-DISS II Project Team:

No comment.

- 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.

Response by the RE-DISS II Project Team:

No comment.

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

Response by the RE-DISS II Project Team:

Yes. It would be helpful to have clear rules on how tariffs and their environmental implications are communicated. We would like to stress that RE-DISS clearly advises that it should be possible to set up individual tariffs with differing FMD (e.g. as “other renewable energy tariff” according to the OFGEM consultation paper). With respect to FMD, this should in any case be based on guarantees of origin as accounting instrument. The total of all tariff-specific FMD should add up to the overall supplier’s FMD.

Besides that, it should be clearly regulated how supported electricity can be accounted for in disclosure systems. If this is allocated on a pro-rata basis (together with the Renewables Obligation), then one approach might be to have a separate fuel category “supported RES” (this would support the position as outlined in 3.6 of the OFGEM consultation paper).

- 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)?

Response by the RE-DISS II Project Team:

Yes. This seems a clear regulation on national level to inform consumers about the characteristics of the tariffs at choice.

However, with respect to the exact definition of the FMD, RE-DISS recommends to further coordinate this with the systems of other European Countries according to the RE-DISS Best Practice Recommendations (e.g. relating to the "disclosure year"). Furthermore, parallel disclosure of the overall supplier's mix and the respective tariff mix should be required in cases in which a supplier offers more than one (standard) product.

- 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?

Response by the RE-DISS II Project Team:

If consumers should be informed that choice for a respective "renewable tariff" has no additional environmental benefit, then probably this should be the message (e.g. like "This tariff does include 100% renewable energy sources, but does not include particular incentives for further expansion of RES generation or CO₂ abatement.")

Taking into account that OFGEM consumer research showed that consumers can hardly distinguish the meaning of a "green" and a "renewable" product, it seems that "This is not a green tariff" does not really clarify the situation

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

Response by the RE-DISS II Project Team:

Any fuel specific claim (e.g. renewable tariff) in FMD should be based on the proper use of guarantees of origin.

- 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?

Response by the RE-DISS II Project Team:

There is no obvious con which should prevent that the same requirements are applied also for large non-domestic consumers.

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

Response by the RE-DISS II Project Team:

No comment.

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