

Natasha Smith
Sustainable Energy Policy Team
Ofgem
9 Millbank
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17 February 2014

Dear Natasha,

Improving Consumer Protection in the Green & Renewable Energy Offers Market

We are pleased to respond to Ofgem's consultation on improving consumer protection in the green and renewable energy offers market.

We are broadly in agreement with Ofgem's proposals to update the principles in the voluntary green supply guidelines and to extend the guidelines to cover a broader spectrum of the market. This will help to promote consistency between suppliers and give consumers a clearer view of green energy offers across the market.

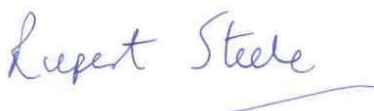
Of the four implementation and verification options presented in the consultation, our preference is to introduce a licence condition requiring suppliers to be a member of the accreditation scheme when offering such tariffs (Option 4). This would help to achieve a more consistent application of the principles across suppliers without creating a substantial new regulatory burden in a niche market. Such an approach also achieves Ofgem's objectives in a more straight forward manner than resorting to the Standards of Conduct.

Given that Ofgem is concerned with current and future tariffs, on offer to consumers, we consider that such a licence condition should apply live to tariffs only i.e. not dead or closed tariffs (as defined in the supply licence). Clarifying this would avoid transitional problems for customers on non-accredited existing tariffs.

We think there may be benefits from being clearer on whether renewable energy tariffs lead to any material additional support for renewables, compared with the same amount of energy sold on a standard tariff.

Our more detailed response is set out in Annex 1. If you wish to discuss our response further, please do not hesitate to contact me or Gareth Williams on 0141 568 3930.

Yours sincerely,



Rupert Steele
Director of Regulation

IMPROVING CONSUMER PROTECTION IN THE GREEN AND RENEWABLE ENERGY OFFERS MARKET – SCOTTISHPOWER CONSULTATION RESPONSE

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

We agree with the proposed updates to the green supply principles to cover all tariffs that offer the supply of renewable energy alongside additional environmental benefits at tariff level.

Updating relevant information online, in marketing material or correspondence relating to green tariffs is certainly achievable. However, there will be a lead time for suppliers to update that information, and we recommend that appropriate timescales are allowed for suppliers to make any required IT changes following Ofgem's final decision.

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

Yes, the current CO₂e abatement threshold seems to be set at an appropriate level. It would be sensible to retain the threshold at this level to ensure consistency of information and avoid any unintended confusion among consumers that may result from changing the threshold.

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, we agree that it makes sense to extend the updated green supply guidelines across the market, to include cases where an electricity tariff offers a supply of renewable energy alongside clear additional environmental benefits. This will help to promote consistency between suppliers and across the presentation of tariff offerings.

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

We agree that nuclear and CHP tariffs should be out of scope of the updated guidelines, and that they should be highly visible at the point of sale when making a low carbon claim for these tariffs. We would be keen to understand whether Ofgem has a view of what this would look like in practice.

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

We recognise that consumers may be confused by suppliers marketing bundles with broad 'green' or 'environmentally friendly' terminology and we agree that this is an area that needs further consideration. In particular, we should be careful to strike a balance between restricting the use of language for clarity and hindering a supplier's ability to innovate in developing and offering bundles.

For example, we think the guidelines should allow for a distinction between bundles claiming 'green supply' and bundles that relate to some other green activity, which could have a different kind of environmental benefit, such as support for an environmental charity.

In ScottishPower we consider naming conventions carefully and look to provide clear descriptions of what consumers will be receiving. We would include clear terms and conditions along with any environmental bundle explaining what environmental benefit the consumer is agreeing to.

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?

It seems practicable to extend the principles for green tariffs to large non-domestic consumers with an annual consumption of up to 100,000 kWh, in line with the changes to the micro-business definition agreed under the RMR consultation. The principles outlined in the guidance appear to be equally valid for tariffs that offer a supply of renewable energy alongside additional environmental benefits regardless of the volume of energy consumed.

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

Of the four proposed implementation and verification options presented in the consultation, our initial preference would be to introduce a licence condition requiring suppliers to be a member of the accreditation scheme when offering such tariffs (Option 4). This would help to achieve a more consistent application of the principles across suppliers without creating a substantial new regulatory burden in a niche market. In this instance we would consider a new licence condition to be preferable to relying on Standards of Conduct, since it provides greater regulatory certainty.

It is clear from the consultation that Ofgem is concerned with current and future tariffs, on offer to consumers, in the green and renewables sector. Accordingly, we consider that such a licence condition should apply live to tariffs only i.e. not dead evergreen or closed fixed term tariffs (as defined in the supply licence). Clarifying this would avoid transitional problems for customers on non-accredited existing tariffs.

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

We consider signing up to an accreditation scheme would be the best method of ensuring the principles are consistently applied in the market. The current accreditation scheme provides for a widely accepted recognition that the product offering has met set criteria and has been verified by an independent body. This provides consumers with an additional level of assurance as to a product's green credentials. While Ofgem note that the current scheme has not been widely adopted across the market, this does not negate the benefits of an independent scheme holding energy suppliers accountable for their claims.

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? Please provide evidence to support your answer.

It seems reasonable that a prescriptive approach should be applied to the additionality principle for green tariffs. It avoids doubt in terms of what activities are eligible for meeting the measure for delivery of an environmental benefit. However, it should be flexible enough to allow the development of new and innovative additionality measures so as to keep pace with changing consumer expectations.

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

Based on the consumer research carried out by Insight Exchange on behalf of Ofgem it seems to be a reasonable assumption that more transparency is required around the sale of other renewable energy tariffs.

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)?

We agree that renewable energy only tariffs that don't offer additional environmental benefits should follow Ofgem's 'transparency' principles.

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?

We consider the message "This is not a Green Tariff" leaves the consumer in no doubt as to the status of the tariff, and signals that there are no additional environmental benefits from signing up. Such a statement may lead to further discussion with the consumer, but this would only provide back up to the clear statement.

Indeed, it may be helpful to be more explicit and for the code to require newly marketed renewable energy tariffs to include a prominent message along the lines "Purchasing this tariff will not lead to additional renewable energy production, compared to purchasing a standard tariff from another supplier" where the tariff does not involve any useful support for renewables.

Question 13 – Do you agree that other renewable energy tariffs should also follow the ‘evidence of supply’ principle?

Yes, it seems appropriate that any renewable energy tariff offering the sale of renewable energy should robustly evidence that the energy is not 'double sold' by following the evidence of supply principles set out in the green tariff guidelines.

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?

It seems practical to extend the principles for green tariffs to non-domestic consumers with an annual consumption of up to 100,000 kWh, in line with the changes to the micro-business definition agreed under the RMR consultation. The principles outlined in the guidance (with the exception of additionality) appear to be equally valid for other renewable tariffs regardless of the volume of energy consumed.

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

Please see our response to Question 7.

ScottishPower
February 2014