

**Stakeholder meeting on our work to
enhance consumer protection in the
green and renewable offers market**

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Background

- We published a consultation document in December 2013 to enhance consumer protection in the green and renewable offers market. It builds on the existing voluntary green tariff scheme.
- At the heart of our proposals are three principles:
 - Transparency: Tariffs need to be clear and consistent with public expectations and understanding around what constitutes green supply
 - Evidence of supply: Suppliers need to have and retain evidence to verify all claims regarding both the source of electricity supply and additionality in the tariff
 - Additionality: Customers choosing such a tariff need to be satisfied that their support is contributing to additional environmental benefits . Consumers must be assured that their decision to buy a particular tariff has driven an environmental benefit that would not have been brought about otherwise

Purpose of this meeting

- Today's meeting is intended to help inform our policy. We will
 - Recap on what we said in our consultation document
 - Summarise stakeholder responses
 - **Test some of the options with you that could address your feedback and move this policy forward**
- We will mostly focus on feedback that was put forward by more than one stakeholder to make best use of everyone's time. If you want to discuss specific feedback you have given us, please contact us within the next two weeks (Sustainable.Energy@ofgem.gov.uk).
- We have included three questions that we would like to discuss further at this meeting but we are happy to discuss other issues and questions as well. **Today is the time to discuss any relevant input you might have!**

We note that the options we are testing here are only to inform our policy thinking at working level, they do not represent Ofgem's position on this.

Consultation responses

We received 13 non-confidential responses:

- **Big 6 suppliers** Scottish Power, EDF
- **Small suppliers** Green Energy, Ecotricity, Good Energy
- **Experts & consumers** Expert Panel of the Green Tariff Certification Scheme (GESCS Panel), National Energy Foundation, Consumer Futures, Aldersgate Group, Andrea Smith
- **European** RE-DISS II (EU project on reliable disclosure of renewable supply), EKO Energy (NGO)
- Mostly support for our proposals but some have concerns that we are not going far enough whilst others argue that we are going too far.
- Mostly support for a mandatory approach.

Transparency

Proposal in consultation	Stakeholder feedback	Options to move this forward
<p>Renewable tariffs should include a message at point of sale if tariff does not provide additionality</p>	<p>Some agreement and practical proposals on the content of the message. But some concerned that it might lead to more customer confusion. Some do not see the need for a disclaimer whilst others propose to disallow non-additionality tariffs.</p>	<p>We are doing more work on how best to approach this. At this meeting, we would like to discuss the option of this message appearing on the Tariff Information Label (see next slide). For the purpose of this, lets assume the message could be along the lines of: “This tariff does not provide extra benefits to the environment.”</p>
<p>We distinguished between green and renewable tariffs with only green tariffs offering additionality</p>	<p>Overwhelming response that this is an artificial distinction that no one understands and that confuses consumers</p>	<p>It might not be necessary to make this distinction anymore. The policy is about environmental claims based on renewable supply. If tariffs do not offer additionality, a disclaimer needs to be included. In terms of the wording to use and how to present tariffs, the ASA rules and DEFRA guidance apply.</p>
<p>Extend tiered information approach that currently only applies to tariffs under the voluntary scheme</p>	<p>Not much feedback from stakeholders on this.</p>	<p>Roll out the information requirements but review the details given the additional “non additionality message” as well as new developments in the market (see next slide)</p>

Transparency

Non-Additionality message on TIL

About your electricity tariff

Supplier	YourPower
Tariff name	YourPower Fixed Renewables
Tariff type	Economy 7 Electricity
Payment method	Direct Debit
Unit rate – Day	10.00p per kWh
Unit rate – Night	10.90p per kWh
Standing charge	27.4p per day
Tariff ends on	18 February 2011
Price guaranteed until	18 February 2011
Exit fees (if you cancel this tariff before the end date)	£50.00
Discounts and additional charges	No discounts
Additional products or services included	Loyalty points
Illustrative electricity cost on this tariff	
Assumed annual consumption	3,300 kWh
Estimated annual cost	N/A
Tariff Comparison Rate (TCR)	N/A

All prices include 5% VAT, which may differ from how they appear on your bill. The estimated annual cost is based on the assumed annual consumption and our current prices.

Frequently asked questions

- **What is a kWh (kilowatt-hour)?**

A kWh stands for kilowatt-hour – the unit used to measure energy use. 1 kWh will power a 40 watt light bulb for 25 ho

- **What is the Tariff Comparison Rate (TCR)?**

TCR is a rate per kWh that allows you to compare your tariff to other tariffs by taking account of the unit rate and stan

- Up to three additional frequently asked questions

Point of sale information

- Chart showing the suppliers licence level fuel mix
- If the tariff contains additionality, a description of the additionality including the scale
- Sign post to further mandatory information (eg information about subsidies etc.)



Do you see any (practical) issues around presenting information in this way (eg on switching sites)?



Evidence of supply

Proposal in consultation	Stakeholder feedback	Options to move this forward
<p>Suppliers should retire Renewable Levy Exemption Certificates (LECs) in addition to holding Renewable Energy Guarantees of Origin (REGOs) for tariff level claims to avoid double selling</p>	<p>Mostly support for our proposal with the exception of two suppliers. Arguments presented were that</p> <ul style="list-style-type: none"> • Renewable LECs do not represent renewable supply and are only used to demonstrate that customers are CCL exempt • It is inconsistent not to require the retirement of Renewable Obligation Certificates (ROCs). • LECs can be traded independently of energy and this could therefore lead to “green washing” • It has a significant financial impact on suppliers 	<p>We have discussed this further with HMRC and feel that some arguments presented are not based on facts but we are keen to hear from stakeholders in case they disagree:</p> <ul style="list-style-type: none"> • Renewable LECs are not simply an instrument to get a tax exemption. The exemption is for buying renewable power • ROCs are not used to make claims vis-à-vis consumers. There is no issue around triple selling of renewable attributes to consumers for the same unit of energy • LECs should be traded with the physical energy for tax purposes. Even if not, it is unclear how requiring LECs in addition to REGOs would lead to “green washing” but requiring tradable REGOs alone does not. • Impact of not selling LECs would be in the range of £16 per customer per year if supply is not backed up by LECs at all. Any financial impact can be avoided by adjusting renewable claims.

Additionality

Proposal in consultation	Stakeholder feedback	Options to move this forward
<p>We suggested to define additionality as it is currently defined under the certified green tariff scheme (mainly covering carbon reduction measures, such as offsets, green funds and energy efficiency)</p>	<p>Stakeholders mainly agree. Some specific suggestions to include CHP and allow for more flexibility. Some argue that this is not strong enough. Others argue that they provide additionality at corporate level but this is not captured by the current rules.</p>	<p>We would like to discuss the options at this meeting. One possibility to allow for more flexibility and innovation is to</p> <ul style="list-style-type: none"> • Adopt a principle-based approach that sets out that suppliers that make environmental claims need to show that these benefits happen because consumers chose this tariff and not solely due to subsidies. The additionality should be as closely related as possible to the claim (ie renewable energy) but if that is not possible, other carbon reduction measures could be justifiable • If the additionality applies to all consumers of a particular supplier (eg in the case of some small suppliers), then this obligation can be discharged at a corporate level • Suppliers have to publish annually how they meet their additionality obligation <p>This could put the onus on suppliers to prove additionality and to have a story to tell. It might also be more proportionate than a prescriptive approach given the size of the market.</p>



What are your views around broadening additionality if it is made mandatory and adopting a more principle-based approach? What are your views around allowing this to be met at corporate level if it is the same for all customers? Is there appetite for an industry driven label scheme



Scope and implementation

Proposal in consultation	Stakeholder feedback	Options to move this forward
We consulted on how best to implement our policy (mandatory or voluntary)	Mostly support for mandatory approach. Some favour supplier-led verification whilst others favour an accreditation scheme	Potentially adopt a mandatory approach to achieve consistent application but adopt a more principle-based and reputational approach for “additionality”
Claims around nuclear and CHP are not included in our policy but we said that environmental claims should be clear that they are based on those technologies	Not many commented on this but those that did, largely supported our proposal. One proposal to cover these claims directly.	We still think that the technology should be clear. Overall, we note that ASA rules and DEFRA guidance apply in terms of how suppliers are allowed and not allowed to market their tariffs and what might be considered misleading
Raise threshold to cover small non-domestic customers (increase from 55,000 KWh to 100,000KWh) in addition to domestics	This was largely supported. If the implementation method remained a certified scheme, then some support for having no threshold at all	If we adopt a mandatory approach, there might be reasons for not including micro businesses. Most RMR rules, including the Tariff Information Label, do not apply to this group and including them could interfere with HMRCs LEC policy in terms of selling LEC backed supply to a non-domestic customer becoming an environmental claim. Not including them here still allows suppliers to retain a voluntary scheme and include non-domestic businesses in that.



What are your views around not including micro businesses if we were to adopt a mandatory approach



Other issues:

- Several stakeholders asked for renewable/green bundles to be allowed. This was already discussed as part of RMR and it was decided that anything relating to supply should be covered in the standing charge and unit rate of a tariff. We would see offering a bundle containing renewable certificates to green a tariff as relating to supply. Environmental bundles not linked to supply (eg carbon offsets) are not prohibited.

Planned next steps

- Further refinement of policy proposals over the coming weeks
- Publish final proposals (and draft licence changes if required) in June 2014 followed by a short consultation
- If required, final licence changes would be published later in the year
- Proposals could apply to dead, existing and new tariffs from next financial year, ie 06 April 2015 with transitional provisions for fixed-term tariffs.

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