



Natasha Smith  
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Dear Natasha

### **Protecting Domestic Consumers in the Green and Renewable Tariffs Market – Final Proposals**

On behalf of the Expert Panel<sup>1</sup> of the Green Energy Supply Certification Scheme (the "Scheme", in this response), we welcome clarification of Ofgem's proposals for the future marketing of green electricity supplies to domestic consumers in the UK. We also welcome the proposed licence condition on matching and the much needed outlawing of double selling of supply to domestic and non-domestic customers through the splitting of REGOs from LECs, as has been practised by some suppliers outside the Scheme.

However we cannot welcome the current proposals on additionality. We know that consumers who sign up for green electricity tariffs do so because they wish to purchase renewable electricity. We therefore consider that the proposals to require transparency and matching of green electricity supplied should be supplemented by a requirement to include a disclaimer on all supplies claiming to comprise renewable electricity or other environmental claim. This need not be written in an unduly negative tone; we would recommend a common statement to be used (as happens with the provision of mortgages, for example) along the lines that "Buying electricity from this tariff does not guarantee that more renewable energy will be generated". We think this would provide consumers with transparent information that relates directly to the nature of the green or renewable electricity they purchase.

We consider that the current proposals on additionality are unworkable and would build in "greenwash" by placing no constraints on either the type or level of environmental benefit provided in order to qualify. For example the current proposals would permit a company to buy just 1 tonne of a traded carbon offset and relate this to a tariff with many thousand customers, yet still strictly comply with the new licence condition. Moreover, by permitting environmental claims to be based on an undefined "environmental benefit" we consider that there would be no explicit link established between this benefit and the supply or use of electricity or the mitigation of CO<sub>2</sub> emissions. It could be of a quite unconnected nature, such as the installation of beehives in a nature reserve. We do not think this would meet consumers' expectations of green or renewable electricity.

Our conclusion is therefore that requiring additionality in the manner proposed will only mislead consumers into thinking that they are helping the environment more than they really are. Should Ofgem continue to believe that some form of additionality is required, then we would recommend redrafting the proposed licence conditions to require an appropriate amount of CO<sub>2</sub> emission mitigation.

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<sup>1</sup> This response represents the collective view of the five experts who form the Panel of the Green Energy Supply Certification Scheme. These experts are appointed as individuals so this response may not reflect the views of any organisations with which they are affiliated. References in this response to "we" or "us" refer to the Expert Panel collectively.

Our recommendation would be to return to part of the wording in Ofgem's 2009 guidelines, where additionality is required to "result in the abatement of at least a minimum level of Carbon Dioxide equivalent (CO<sub>2</sub>e) emissions" (clause 1.23). We would recommend mandating that the level be related either to customer numbers or the units of electricity sold, and be published annually under the transparency rules. Within this framework, suppliers would still be free to innovate and expected to provide more detailed information on the renewable energy, carbon emissions reduction and any other environmental benefits of the tariff. We consider that suppliers should still be required to include the disclaimer set out above.

The Expert Panel of the Scheme has also considered the governance arrangements necessary for consumer protection under the new proposals. We note that public trust in energy suppliers is low, and because something is required by a licence condition, it does not mean that consumers will believe it is being delivered. We therefore recommend that Ofgem should form its own Advisory Panel to oversee and advise on the new arrangements. This Panel should also monitor compliance, overseeing any additionality offers and their explanation under the transparency provisions. It should have the right to interrogate suppliers in person annually, following the publication of their report. Such an advisory panel would provide added oversight and should also minimise costs for smaller suppliers who have been deterred historically from joining the existing self-funding Scheme. Moreover, we would also recommend a continuing requirement for all tariffs to undergo some form of audit or external verification, as this will ensure any mistakes are found and provide additional assurance for consumers.

As may be deduced from these recommendations, we do not foresee a long-term future for the existing voluntary Scheme. Subject to agreement by Scheme members, we are proposing that the Scheme should close on 31<sup>st</sup> March 2015. Panel Members have agreed to continue to serve until then to ensure a seamless transition for currently certified tariffs to the new arrangements, and to maintain consumer protection. We will also work with the Secretariat to ensure that the final audit certifications due are received in the second quarter of 2015, and maintain a single page website explaining the new arrangements and referring customers to the relevant pages of Ofgem's website throughout 2015. We would also recommend that Ofgem, as owner of the IP rights, withdraws the right to use the "Green Energy Certified" tick mark (and label) beyond April 2015, other than for certain transitional arrangements.

If you would like to discuss any of the points raised in this letter, please contact the undersigned.

Yours sincerely

Solitaire Townsend, Chair, Green Energy Supply Certification Scheme Panel  
Stephen Andrews, Panel Member  
Giles Bristow, Panel Member  
Nick Eyre, Panel Member  
Virginia Graham, Panel Member

Please reply to the Secretariat (attn. Ian Byrne) or by e-mail to [solitaire@greenenergyscheme.org](mailto:solitaire@greenenergyscheme.org)