



THE NATIONAL ENERGY FOUNDATION

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Natasha Smith
Ofgem
9 Millbank
London SW1P 3GE

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Dear Natasha

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

The National Energy Foundation¹ welcome clarification of Ofgem's proposals for the future marketing of green electricity supplies to domestic consumers in the UK. We support the proposed introduction of a 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 existing Green Energy Supply Certification Scheme.

Like the Panel, we do not support 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 be based around renewable electricity. 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 CO₂ 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, we would recommend redrafting the proposed licence conditions to require an appropriate level of CO₂ emission mitigation for each customer on the tariff.

¹ The National Energy Foundation have served as the Secretariat of the Green Energy Supply Certification Scheme, established by the major suppliers of green electricity in the UK to comply with Ofgem's Guidelines on green supply, since the Scheme's inception in February 2010. In that role the Foundation coordinated the Panel response to Ofgem's proposals, and this response from the Foundation does not differ significantly from the Panel's collective response.

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 (CO₂e) 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 to be 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 also considered the governance arrangements necessary for consumer protection under the new proposals. They noted 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 would therefore concur with the Panel's recommendation 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 indicated in the Panel's response, we intend to work with the Scheme Members and the Panel to ensure an orderly transition between the existing and proposed arrangements. We will check that final audit certifications due are received in the second quarter of 2015, and maintain a basic 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.

The response has been coordinated by Ian Byrne.

For more information about this response please contact:

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