

Attention:

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Consultation on market coupling and Levy Exemption Certificates

Bergen Energi Green Services AS is actively managing the production portfolio of several EU and non-EU producers selling LECs in the UK market. We refer to the current consultation on market coupling and the system behind Levy Exemption Certificates and would like to present our views on the subject.

Part A:

Question 1: Where renewable electricity is traded implicitly across coupled markets, is it possible to evidence the electricity is consumed (or to be consumed) in the UK? Please explain your answer.

Answer: Yes. This is enabled through the European tracking mechanism Guarantees of origin (GO). An issued GO is traced to an exact renewable source, a specific production plant and an exact production time. A GO is only issued after the production has taken place. These features evidence consumption in coupled markets and would directly respond to the demand for a “clear audit trail”.

Question 2: What evidence might generators use to demonstrate that an overseas LEC represents electricity that is consumed or is to be consumed in the UK when that electricity has been traded implicitly across coupled markets?

Answer: The GO provides the evidence for such a purpose. It is a direct link between the production and consumption of renewable electricity. This applies both for EU and non-EU production, which is part of the EECS.

Question 3: Are stakeholders aware of any reasons for limiting the issue of overseas LECs to electricity that has been or is to be explicitly traded? Please explain your answer.

Answer: No. Quite the contrary, we believe that explicit auctions as is the situation today only benefit an oligopoly of suppliers in the UK. A change to implicit auctions backed by all associated GOs would allow greater competition, to the clear advantage of UK consumers. This is not the case today. In addition, implicit auctions would allow the main income from the renewable production to go directly to the renewable producer, and not to the owner of the

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interconnector capacity. This would increase the economic premises from renewable power production due to the reduction in transaction cost and could potentially increase the renewable capacity in Europe over time.

Part B:

Question 4: Are stakeholders aware of alternative ways of demonstrating proof of GB supply of overseas electricity that do not involve LECs, and, if so, what are they?

Answer: Yes. This is enabled through the European tracking mechanism Guarantees of origin (GO). An issued GO is traced to an exact renewable source, a specific production plant and an exact production time. A GO is only issued after the production has taken place.

Question 5: Do stakeholders currently acquire LECs purely for non-CCL purposes?

Answer: We are aware of one household supplier in the UK that acquires these purely for fuel mix disclosure, to prove renewable supply only.

Question 6: What do stakeholders foresee as potential impacts if:

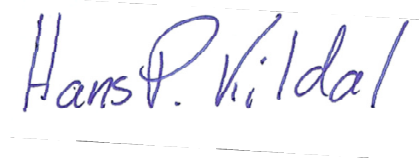
6.1 Overseas renewable electricity can be demonstrated as consumed (or to be consumed) in the UK where it has been implicitly traded, and LECs are issued for this accordingly?

Answer: Implicit auctions will create less transaction cost and bureaucracy at all levels in the value chain. In addition it would be a great advantage that renewable energy capacity could be built where the conditions are most suitable and at the most efficient cost. This would create positive effects both for consumers and producers of renewable electricity.

6.2 Overseas renewable electricity was only accepted as consumed (or to be consumed) in the UK (and LECs issued accordingly) where there is explicit booking and nomination of interconnector capacity.

Answer: Explicit auctions create the opposite of the effect described in our answer for point 6.1. It causes the intermediaries in the market to gain the profit while the consumers are left with the bill and producers get very little profit from producing from renewable sources.

Yours sincerely,



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