



Consultation on proof of UK consumption of overseas electricity

Consultation by Ofgem

Response by E.ON

Question 1: *Do you agree that the types of evidence we have identified are adequate? Do you foresee any problems with obtaining them, particularly if the power has been exchanged multiple times?*

And

Question 2: *Are you aware of other specific types of evidence that they might present for these purposes? If so, what are they? Please be as specific as possible, and explain why you think this specific type of evidence would be adequate.*

1. In principle, we agree that the types of evidence that Ofgem proposes are adequate. However, there are a number of difficulties in obtaining this evidence and we have some concerns at the level of granularity Ofgem requires.
2. Ofgem proposes to match the implicit sale and purchase of renewable power over the same time period. Whilst we agree with this principle, if this became a requirement to match trades at half-hourly granularity it could increase the administration costs in the scheme considerably, particularly where multiple counterparties are involved. This is likely to result in higher costs for suppliers (and ultimately customers) and could artificially reduce the supply of overseas electricity. Monthly granularity is likely to be sufficient and is in line with existing schemes.
3. The requirement to evidence flows based on data from power exchanges does seem sensible, however Ofgem should consider additional evidence which may be appropriate for countries which do not have exchanges.
4. Counterparties may wish to forward trade GoOs, the legislation appears to allow for this when it specifies that power must be “consumed or to be consumed in the UK”. In which case, green for brown swaps, which demonstrate a flow of power from a seller to a buyer, may be an appropriate form of evidence.
5. We would caution that, should Ofgem decide to allow published exchange data to be used as evidence of implicit trades, there should be processes in place to prevent the double counting of trades. This is because published exchange data is anonymised and cannot always be matched to individual participants. It is therefore important that a supplier can provide evidence to demonstrate its ownership of a trade from the anonymised data. Without this, there is a risk that a supplier uses published exchange data to evidence a trade that another supplier has already claimed.



Question 3: *Are you aware of any issues that may preclude applying the decisions of the consultation on LECs and market coupling to proof of GB supply of overseas electricity under FMD, FIT and CFD as well? If so, please provide details on the issues you foresee.*

6. We are not aware of any issues that may preclude applying the decisions of the consultation on LECs and agree with Ofgem that these conclusions should apply in other schemes, namely FMD, FIT and CfD.
7. However, we would highlight that improving transparency is critical and urgent to ensure suppliers understand the impact of overseas renewables on their costs and can price appropriately to customers. Currently, a lack of visibility of the quantities of GoOs flowing into GB for use in FMD, FIT and CfD schemes, means suppliers are exposed to unknown costs.
8. As a matter of urgency, Ofgem should explore opportunities to improve the transparency of the flow of GoOs into GB. In the longer term, there is value in exploring European-wide solutions to a lack of transparency. For example, more consistency in the process of awarding renewable certificates to generators and a Europe-wide log of these.

Question 4: *Can you foresee any issues that may arise from maintaining the same process for LECs as per the 2008 CCL guidance? If so, please give details.*

And

Question 5: *Can you foresee any issues that may arise from maintaining the same process for GoOs as per the GoO recognition process currently being consulted on now implicit trades are permitted? If so, please provide details.*

9. As highlighted in paragraph 2, a requirement to match trades at half hourly granularity would increase administration costs unnecessarily.

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