



THE NATIONAL ENERGY FOUNDATION

The National Energy Centre • Davy Avenue • Knowlhill • Milton Keynes • MK5 8NG

Tel: 01908-665555 • e-mail: nef@nef.org.uk • Fax: 01908-665577

www.nef.org.uk

Response of the National Energy Foundation (United Kingdom) to the CEER Public Consultation Paper on Advice on “green” electricity

This document is the response of the National Energy Foundation to the CEER Public Consultation Paper on Advice on “green” electricity. The National Energy Foundation is a charity (not for profit organisation) that was established in Milton Keynes, United Kingdom in 1988 and has, as its primary aim, the improvement of the use of energy in buildings. However, it has also been actively encouraging the take-up of renewable energy since the mid-1990s, with a particular focus on small-scale and building-integrated renewables.

The Foundation has acted as Secretariat to the UK’s Green Energy Supply Certification Scheme¹ (the “Scheme”) since its establishment in February 2010, so has a good knowledge of the practical workings of the UK consumer market for green and renewable electricity. As the UK regulator (NRA), Ofgem, has simultaneously been running its own consultation into the Green and Renewable Energy Offers Market, the Scheme Panel were unable to devote additional resources to a detailed consideration of the CEER consultation; this response should therefore be seen as representing the views of the Foundation and not of the Scheme or Panel, although it draws on experience from both.

The Green Energy Supply Certification Scheme provides independent assurance to consumers that electricity purchased using its label meets guidelines established by Ofgem in respect of:

- a) **transparency**, including information at differing levels (“tiers”) about the origins of the electricity, the nature of matching and additionality provided by the green tariff;
- b) **matching** (or evidence of supply) which requires all electricity sold on a certified green tariff to be evidenced by renewable energy guarantees of origin (REGOs) and any associated Levy Exemption Certificates (LECs – which are used in the UK to offer exemption from the Climate Change Levy on non-domestic customers) should be retired, or an equivalent level of LECs should be bought and retired in the event of using imported (non-UK) REGOs;
- c) **additionality**. Recognising that purchasing renewable electricity does not by itself bring more supplies on-stream, the guidelines require a specified contribution to additional carbon savings for each customer on a certified green tariff. Additionality can be by way of purchasing traded carbon offsets that pass a quality threshold, investment in small non-commercial renewable energy (“green funds”) or investment in customers’ own energy efficiency.

More details about the Scheme can be found at www.greenenergyscheme.org

Since its launch in 2010, the UK Green Energy Supply Certification Scheme has certified tariffs from all the main domestic energy suppliers, although recent regulatory changes limiting the number of tariffs that each supplier can offer to domestic consumers has led to a reduction in currently available offerings.

We answer the questions posed by CEER below in turn.

¹ Although we refer throughout to the UK, the Green Energy Supply Certification Scheme is only available on electricity tariffs in England, Wales and Scotland, and reference to Ofgem as being the NRA similarly excludes Northern Ireland, where UREGNI undertakes this statutory function.

Public consultation questions

1) Do you agree that further improvement is needed concerning the terminology that is used to inform the customer of electricity offers based on renewables and to promote these offers in marketing?

We agree that terminology in this area can be confusing and misleading to consumers. However we also see that this has to be based at a national linguistic level; what is understood as “green” in the UK may be very different from public expectations of “vert” in France or “grün” in Germany. There are even significant differences in the way English is used between the UK and Ireland. In particular, the UK NRA (Ofgem) distinguishes between “green” electricity (which includes other environmental benefits, principally under additionality) and “renewable-only” supplies, which are matched (by some means, not necessarily involving REGOs²/LEC retirement). This is one of the areas about which Ofgem is currently consulting.

2) Do you agree that all price comparison tools should provide customers with an overview of electricity products, including specific information on the origin of the electricity that will be supplied?

We agree that where a supply claim is being made, this should be done at the point of sale (or price comparison), or there should be a straightforward link (such as a pop-up box) to the information in online systems. So this should include not only renewable or green tariffs, but also ones that make claims about being low-carbon or sourcing from other fuels (in the UK EDF markets a nuclear-based product called “Blue”, and Green Energy UK a CHP-based product). Where no additional claims beyond normal fuel mix (ie. for grey³ supplies) are made, we believe that it should be adequate to provide a link to the supplier’s website, where the fuel mix disclosure information should be readily available.

3) Do you agree that the national regulatory authority (NRA, or other competent body) should develop a harmonised format on how information concerning the origin of electricity is displayed and should specify the level of detail required on electricity bills for this information?

Yes. This is already specified in the UK by Ofgem.

4) Do you agree that two levels of information should be provided to customers? Complementing the bill, additional information such as the geographic origin, the technology and the product mix could be made available on the supplier’s website. In that case, a reference on the bill should draw customers’ attention to this additional information.

Yes. This is broadly in line with current UK practice.

5) Do you support the idea that if a supplier also publishes the product mix on the bill for some customers, the publication of the product mix should be done consistently for all of its customers in order to minimise the risk of “double counting” within one company?

Yes. In the UK the fuel mix appropriate the supplier’s supply licence must be displayed. It is possible for suppliers to have more than one supply licence, and for each to have a different fuel mix, but this still prevents double counting within individual companies.

6) Do you agree that the publication of an annual disclosure report by NRAs (or other competent bodies) is a good practice?

Yes.

7) Do you agree that further harmonisation of the existing disclosure systems at European level necessary?

Probably not. While we agree that it is important that calculations are undertaken on a consistent basis, with common rules for GOs, we are less convinced of the need to harmonise national disclosure systems, if the current ones are functioning well and are understood by consumers. Consumers do

² As another example of terminological differences, the UK calls renewable energy guarantees of origins REGOs, not RES-GOs, and avoids using the acronym RES, which is not understood by the general public.

³ We refer here to “grey” supplies to be in line with the consultation document, although they are more commonly referred to in the UK as “brown” supplies.

not generally have the option of purchasing electricity across borders, so the actual disclosure requirements are properly the role of the NRAs. There may however be some value in providing an agreed set of minimum disclosure requirements at an EU level to ensure basic consumer protection.

8) *Do you agree that GOs should be used as a common and reliable basis for all disclosure systems?*
Yes.

9) *Do you agree that the issuing of RES-GOs should be mandatory for all electricity produced with renewable sources?*

No. We believe that for administrative reasons there should be a *de minimis* level, so that small scale renewable electricity installations, such as PV roofs, may only optionally fall within the REGO regime. Given that many of these very small installations have been funded through a feed-in tariff (FIT) mechanism, and will be registered centrally for FITs, it may instead be possible for them to be aggregated by the purchasing energy company or at the NRA level.

10) *Do you agree that issuing of GOs should be extended to all sources of electricity to make the basis for the disclosure system more consistent and reliable, but also to provide opportunities for market offers for electricity based upon specific nonrenewable sources in a trustworthy manner? Should this be mandatory or voluntary?*

To be consistent with renewable energy and our answer to question 9 above, we would generally support GOs being extended to all supplies above the same *de minimis* level as a mandatory requirement. This would also help account for the content of residual grey/brown supplies. There may need to be some derogations for onsite fossil fuel generation, eg. through CHP or the use of back-up generators.

11) *Do you agree that the integration of electricity markets at European level should ideally be accompanied by actively developing a European RES-GO market?*

We are unsure about the benefits of a traded market. Although it should theoretically improve liquidity, lower costs and might create more demand for renewable supplies, we have seen from trading in ETS allowances, for example, that it can also lead to volatility in pricing, and greater uncertainty. We suspect that any cost savings might be taken as profits by the middlemen (such as traders) and not ultimately benefit either consumers or the renewable energy industry.

12) *Do you agree that when informing customers about their energy, RES-support schemes and disclosure should be seen as separate issues with their own instruments?*

Broadly, yes. In addition to the points made about separation of policy instruments, we are aware that burdening consumers with too much information at the point of sale can lead to confusion, not clarity. The UK system of tiered information is designed to prevent that happening, by relegating such additional information to the third tier for those wishing to understand fully what forms a green supply tariff. However, systems should also ensure that a unit of renewable electricity generated cannot be sold to multiple customers, with different expectations, by attaching it to differing instruments.

13) *Do you feel that it is necessary to recognise all GOs for disclosure purposes, irrespective of whether GOs come from supported or not-supported electricity?*

Broadly, yes, subject to our comments in our answers to questions 9 and 12.

14) *Do you agree that "green" power quality labels should mandatorily be using GOs as their unique tracking mechanism?*

Yes. However we would disagree with the statement on page 34 that "*For customers who feel that having an electricity contract based on GOs does not in itself respond to their expectations, labels can be a possible solution, under certain circumstances. Nonetheless, the important role that GOs play in disclosure needs to be stressed and labels should not undermine the reliability and validity of GOs*". In our view, the label should be supported (evidenced) by GOs, and not the converse. The label is the

main tool for the consumer to gain assurance that they are getting what they want; the GOs are the technical mechanism underlying it.

We do not understand what is meant by the comment "In order to guarantee the credibility and trustworthiness of electricity products which claim additional criteria, a holistic and more centralised approach is needed". However we would broadly support there being a limit of one approved label in any one member state to avoid confusion for consumers and differing standards being applied.

15) *Do you feel that it would benefit customers if a labelling model would be implemented alongside the GO, so that label(s) can provide "additionality" for those customers that demand it?*

Continuing from question 14, we believe that to build consumer trust and help understanding, there should be a common label for green supplies that are based solely on renewable supply (ie. REGOs) and those that also have additionality. Both types of supply than then be guaranteed to use common standards for matching through REGOs, with additionality marketed as an additional environmental benefit. This has not happened in recent years in the UK, and the result has been that unlabelled, relatively uncontrolled⁴ products have gained a greater market share than those based on REGOs observing strict guidelines (including a requirement for additionality) produced by the NRA.

We note also the recommendation that the "label should not be an initiative from the NRA, but from private initiatives". We would disagree with this; in order to maintain high standards it may be necessary for the terms of the label to be set by the NRA, even if its implementation (as in the UK) is left to the private sector. Only the NRA has effective sanctions for non-compliance.

Our last comment does not mean that it would not be possible to also use labels such as EKOenergy, providing they were aligned with any national requirements.

For more information about this response or the about the Green Energy Supply Certification Scheme in the UK please contact:

Ian Byrne
Deputy Chief Executive
The National Energy Foundation
Davy Avenue
Knowlhill
Milton Keynes
MK5 8NG
United Kingdom

+44 (0)1908 354543
ian.byrne@nef.org.uk

7 February 2014

⁴ The only control over these products has been through the Advertising Standards Authority, which has the power to require companies to stop making unsubstantiated or misleading claims. However this is a very blunt instrument, as it can only exercise this power after a transgression, and in the absence of clear guidance from the NRA about what can or cannot be said, it is reluctant to get involved. It would be wrong to imply that all products marketed as "renewable electricity" do so in a misleading manner, but market research has shown that the public does not understand the difference between unlabelled and certified (labelled) products, which in the UK are required to provide additional environmental benefits.