

# CEER Public Consultation Paper on Advice on “Green” Electricity

## Reply by the RE-DISS II Project Team

7 February 2014

### Public consultation questions

- Q1)** Do you agree that further improvement is needed concerning the terminology that is used to inform the customer on electricity offers based on renewables and to promote these offers in marketing?

*Reply by the RE-DISS II Project Team:*

Improvement of terminology would be definitely helpful. The RE-DISS II Project Team has in its previous work concluded that there should be clear rules regarding the claims made by the suppliers of, for example, “green” energy and suppliers should be required to provide to consumers the rating of each product based on these rules. Claims made by suppliers and consumers of “green” or other low-carbon energy relating to carbon emissions or carbon reductions should also be regulated clearly.

It is considered preferable that such a definition of the term “green electricity” should take place on a national level, as actual and reasonable level of ambition in different countries probably would differ considerably. While in some countries a straight-forward restriction on “renewable energy” might be helpful, some other countries might also count e.g. high-efficient cogeneration in, or might only want to allow such terminology for electricity offers which actually directly support further RES development rather than “only” being renewable based on a book&claim approach (i.e., which show a certain level of “additionality”).

It is important that electricity customers are provided with adequate, reliable and comprehensive information on the origins of their electricity. By having access to such information, customers can be empowered to choose their electricity supplier and electricity contract not only based on issues related to price. Empowerment of customers can be pursued in different ways:

- Q2)** 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?

*Reply by the RE-DISS II Project Team:*

Yes.

It would be helpful to mandatorily include information on the origin of the electricity in price comparison tools in order to raise awareness on the consumers’ side, even if they intend (so far) to only decide based on price. This information would be brought forward to consumers directly at the point of decision and therefore had a good chance to have an actual influence.



In addition to that, it would also be helpful if price comparison tools would display not only fuel mix, but also information on “green electricity labels” as far as relevant in the national context.

- Q3)** Do you agree that the 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?

*Reply by the RE-DISS II Project Team:*

Yes.

Clear specifications on which and how information should be disclosed would be helpful. This should require e.g. graphical display of fuel mix information (e.g. pie chart), a standardized set of fuel categories and provision of not only the supplier mix (which is required by the Directive), but also the respective product mix (if the supplier offers several products to end consumers) and ideally also a national mix as comparison value.

Having a fully standardized format provided by a national competent body (as suggested by this question) would indeed facilitate comparisons between suppliers and their respective products. This is a clear requirement by the IEM Directive 2009/72/EC. The downside of such fully standardized format could be that this might prevent some suppliers who would like to provide further relevant information (e.g. detailed information on additionality issues) to do so. Therefore, the regulations on disclosure format should be flexible enough to allow also for provision of “additional” information.

- Q4)** 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 website of the supplier. In that case, a reference on the bill should draw customers' attention to this additional information.

*Reply by the RE-DISS II Project Team:*

Such two levels could be implemented both on the bill itself, or with reference to the website. In the end, this can hardly be clearly commented without exactly referring to a particular information item. While e.g. the product mix is an essential aspect and should therefore be directly on the disclosure statement provided with the bill, detailed geographic origin of electricity would be probably sufficiently covered if provided on website (if this aspect is to be required at all).

One also has to bear in mind that some information which is available when using GO is hardly available when the disclosure statement has to be based to some extent on other tracking instruments, particularly the Residual Mix. Therefore, it could be reasonable that such “detailed 2<sup>nd</sup> level information” is only required for specific electricity products, which should be tracked based on GO anyway.

- Q5)** 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?

*Reply by the RE-DISS II Project Team:*

Yes.

The suppliers should also publish the specific product mix according to their customers' purchase and choice on the bill. Thus, the product mixes may differ from the total supplier mix, but when aggregating all the product mixes and related electricity volumes, this equals the total supplier mix. In the same way, for customers not purchasing a specific product, the suppliers should publish their supplier-specific residual mix as the product mix (besides

the supplier mix). This is a clear prerequisite in order to minimize double counting and increase transparency to consumers.

- Q6)** Do you agree that the publication of an annual disclosure report by NRAs (or other competent bodies) is a good practice?

*Reply by the RE-DISS II Project Team:*

Yes.

As a precondition for this, suppliers should also be obliged to report their supplied volumes and respective disclosure information to their competent bodies. This should bring competent bodies in the position to monitor and enforce their own national regulations, and to identify further need for improvements. Furthermore, such reports are helpful both for market participants and for other stakeholder organisations, particularly NGOs (but also for research projects like us).

In addition to providing adequate information to customers, further development, improvement and integration of existing disclosure systems are necessary, if customer trust is to be strengthened and the EU's internal energy market further developed. CEER would welcome stakeholders' views on a more harmonised approach regarding:

- Q7)** Do you agree that further harmonisation of the existing disclosure systems on a European level necessary?

*Reply by the RE-DISS II Project Team:*

With respect to the underlying tracking systems and their application: yes.

From a consumer's point of view, international coordination is particularly relevant for tracking instruments in order to take international trade into account and not to negatively affect other countries' disclosure accuracy. More detailed minimum requirements (e.g. by EU Directives) on disclosure would be beneficial in order to assure minimum level of information quality for consumers in all Member States. This could e.g. include the mandatory disclosure of product mix besides the supplier mix.

However, the need for real harmonization of front-side aspects of disclosure systems on a European level is limited, as consumers will usually compare electricity offers and the respective disclosure information only on a national level. Therefore, differences to other countries' disclosure statements are not that much confusing for a consumer.

A unified set of rules for disclosure in Europe should include that only GOs may be used for electricity products, a coordinated approach for calculation and application of residual mix information and a unified disclosure deadline for the previous year (as this is a prerequisite for the proper calculation of the residual mix).

The RE-DISS II Project has published a proposal on Best Practice Recommendations for the implementation of Guarantees of Origin and other tracking systems for disclosure in the electricity sector in Europe. These recommendations help countries implement a reliable and transparent disclosure system while also unifying the used practices. Such coordinated approach also further improves the calculation of the European Attribute Mix.

Editorial comment: The CEER Draft Advice on Green Electricity states in Chapter 4.3.1 on page 28 (which introduces the Question 7 of this Questionnaire): "The RES Directive clearly states that only GOs should be used for the purpose of proving to final customers that a given share or quantity of energy originates from renewable sources." The place of the word "only" seems to be slightly wrong, which changes the meaning of the sentence. Article 2, j) of the RES Directive defines a "guarantee of origin" as an electronic document which has the sole function of providing proof to a final customer that a given share or quantity of energy was produced from renewable sources as required by Article 3(6) of Directive 2003/54/EC;" This means that a GO shall not be used for something else than for disclosure, but does not actually say that only GO shall be used for that purpose.

- Q8)** Do you agree that GOs should be used as a common and reliable basis for all disclosure systems?

*Reply by the RE-DISS II Project Team:*

Yes.

GOs should be considered as common and reliable basis for all disclosure systems. Particularly for the explicit definition of products with ex-ante claims (e.g. 100% RES products) GO shall be used for accounting.

Besides GOs, only Reliable Tracking Systems (RTS), which may include ex-post Contract-Based Tracking (CBT) based on net trades of market participants (similar to the German approach) and the Residual Mix should be available for usage for disclosure. If contract-based tracking is allowed, it should be regulated clearly with transparent and comprehensive rules understood by all participants in the system. As a precondition for minimizing the double counting of attributes and loss of disclosure information, the CBT scheme should provide comprehensive statistics about the volumes and types of electricity attributes which are tracked through it.

If suppliers of electricity intend to use contract-based tracking in order to fulfil claims made towards consumers regarding the origin of a certain electricity product, GOs should be used in addition to the contract.

No other tracking mechanisms should be accepted.

- Q9)** Do you agree that the issuing of RES-GOs should be mandatory for all electricity produced with renewable sources?

*Reply by the RE-DISS II Project Team:*

RES is currently the only fuel for which a relevant explicit consumer interest and therefore market exists. The market expansion regarding low CO2 products (e.g. nat. gas and nuclear) in the future may require changes in issuing and disclosure schemes across Europe. However, for status quo markets stricter requirements for renewable sources than for other fuel types seem appropriate. Mandatory issuing of RES-GO would be a straightforward means to safeguard proper accounting of RES-E. However, thinking from the consumer side it might seem more appropriate to mandatorily require RES-GO to be used for explicit disclosure of RES-E (e.g. RES-E products) rather than requiring GO to be issued for all production. It is also worth mentioning that there might be other reliable tracking systems particularly for supported RES-E (see the German or Portuguese example) which can be reliably applied also without GO.

GOs play a crucial role in providing electricity customers with reliable information on their electricity: GO is the only tracking mechanism with a clear legal basis. GOs contain a variety of valuable information (such as geographic origin, technology) that can stimulate customer interest:

- Q10)** 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 non-renewable sources in a trustworthy manner? Should this be mandatory or voluntary?

*Reply by the RE-DISS II Project Team:*

Yes.

RE-DISS Best Practice Recommendations clearly advice to use only GO for ex-ante claims of products, irrespective of whether those are products of RES-E or of electricity from other fuels. Therefore, it is necessary that electricity producers can have GOs issued also for

other fuels at least on a voluntary basis. In order to support provision of information to the end consumer which is reliable and meaningful it seems more relevant to stimulate actual use of GO for disclosure (products with ex-ante claims only based on GO!) rather than to require mandatory issuing of GOs.

- Q11)** Do you agree that the integration of electricity markets at European level should ideally be accompanied by actively developing a European RES-GO market?

*Reply by the RE-DISS II Project Team:*

Yes.

A European RES-GO market should be supported by technical harmonization of GO systems and accordingly the possibility for international electronic transfers of GO between national registries. In practice, the AIB Hub is a good starting point for this. Specific barriers to such international markets should only be imposed based on an explicit non-recognition of a foreign GO by a Member State according to the criteria laid out by Article 15, (9) of the RES Directive.

Recent developments in the renewables sector has led to a controversial debate about support schemes for renewables that also influence discussions on disclosure to a certain degree. In the light of this:

- Q12)** 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?

*Reply by the RE-DISS II Project Team:*

In the formal sense: yes

The Directive clearly says that GO should not be a support instrument, but be used for disclosure. The RE-DISS II Project Team's Best Practice Recommendations advise that if for an amount of electricity both a GO for disclosure and a support certificate for management of a support system are issued, then these should be legally separated. This does not necessarily mean that a GO (or disclosure information without a GO, based on another reliable tracking mechanism like e.g. in Germany or Portugal) cannot go hand in hand with the support mechanism, but rather should be "freely tradable". Moreover, it is considered appropriate to leave it to Member States whether they design their support systems so that an additional benefit for supported RES-E by voluntary markets (for electricity and/or GO) is part of the system, or if the electricity and/or the GO should follow the payments as stipulated by the support system. RE-DISS recommends that all Member States clearly regulate in consideration of their own national support system design how GO (or disclosure attributes in general) of supported RES-E are to be allocated for the purpose of disclosure towards final consumers.

- Q13)** 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?

*Reply by the RE-DISS II Project Team:*

Please note: for the answer provided, it is assumed that this question does not refer to recognition of imported GO by Member States in the sense of Art. 15, (9) of the RES Directive, but to differentiated handling of GOs for supported and non-supported RES-E in general.

It is obvious that all RES-E production should be included in the disclosure information towards final consumers. As is regulated by the RES Directive, Member States should be free to decide whether they support RES-E for which a GO is issued (in return, this also means that Member States might decide not to issue GO for supported RES-E). Whether such GO for supported RES-E should be freely tradable and possibly be handled in disclo-

sure just like any other GO (for non-supported RES-E), or whether specific allocation of these GO (e.g. by allocating supported GOs on a pro-rata basis to end-consumers) or disclosure rules (e.g. by defining an extra fuel category for supported RES-E) shall apply, should be clearly regulated by national regulation. See also answer to Q12.

Finally, the document covers issues related to "green" electricity labels, which are increasingly introduced in the market due to growing customer interest in electricity originating from renewable sources. Nonetheless, GOs are the necessary instrument for providing information to customers. Therefore, labels should not undermine the importance and reliability of disclosure systems.

**Q14)** Do you agree that "green" power quality labels should mandatorily be using GOs as their unique tracking mechanism?

*Reply by the RE-DISS II Project Team:*

Yes.

For the explicit definition of products with ex-ante fuel claims (like 100% RES products) GO shall be used for accounting, irrespective of whether those products are labelled or not. Some labels argue that it is a relevant quality criteria itself that disclosure is not just based on "unbundled" book&claim accounting of GOs, but that the disclosure information should follow the actual electricity contracts. Also in these cases GOs should be used, "bundled" together with a bilateral electricity contract.

It is worth pointing out that on top of the pure disclosure aspect based on GO (and e.g. reference to maximum age of the plant as indicated by the GO), a label might apply further quality criteria for electricity offers (e.g. by using a funds model) which cannot be covered by GO or any other disclosure tracking mechanism. It might also refer to plant-specific criteria, which are not part of the GO standard information (yet – the approach of "Independent Criteria Schemes" on EECS GOs can provide a solution here).

**Q15)** Do you feel that it would benefit customers if a labelling model would be implemented alongside the GO, so that label(s) can provide "additionally" for those customers that demand it?

*Reply by the RE-DISS II Project Team:*

Yes.

Labels are of high importance for communicating "Additionality" towards end consumers. GO can help labels to operate their labelling scheme and to verify fulfilment of some criteria, but can hardly facilitate all relevant criteria which are applied by the different labels. See also answer to Q14.

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