

E-TRACK project

Minutes from the first Consultation Workshop in Germany

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Participants

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For all agenda items, see the PowerPoint-Presentations in the annex of these minutes.

1 Welcome, Introduction

The participants expect from this workshop information about the project and a discussion on electricity disclosure in general and options for tracking electricity in particular. The relation between the project, the current draft energy industry act (EnWG) and the proposal from the electricity industry association (VDEW) on the implementation of electricity disclosure is addressed.

Several invitees, who were not able to participate, will be invited to the two follow-up workshops.

The E-TRACK project has ambitious objectives. In order to allow for recommendations which are applicable in practice and acceptable to stakeholders, intensive communication is indispensable. The national consultations play a key role in this communication. The minutes from the workshops and the presentations will be sent to all participants and will be posted on the project website. They will be used by the project consortium during the design phase of the project.

2 Background of the project

See presentation “Hintergrund und Zielsetzungen” from Christof Timpe. (Hintergrund-Zielsetzungen.pdf).

This presentation led to a general discussion with the following issues:

- The project is a research project, which has been proposed by the consortium to the Commission. The Commission is interested in its results and recommendations, which will also be disseminated to Member States governments. However, the project is not a service contract, which usually have more direct implications on the Commission's policies.
- A harmonised European tracking scheme does not require harmonisation of support schemes for RES-E or CHP. The scheme proposed by E-TRACK will be designed in a way that does not predetermine support schemes, but rather fits with current schemes.
- The requirement from the Electricity Market Directive on Member States to ensure that disclosure information is reliable creates demand for tracking systems. However, it is not clear whether there is a scope (yet) for a harmonised European tracking system.
- While tracking of RES-E is clearly feasible, it is not yet clear what market value non-renewable electricity will acquire.
- Cost and benefits of a tracking system will be assessed in E-TRACK work package 5. (Participants mentioned hints on high administrative cost, e.g. in the Swedish certificate system, which should be verified.) It is important to assess cost and benefits not only for the whole electricity system, but also for companies of different size. Small suppliers might have to bear relatively high cost per kWh for participation in a complex tracking system.
- The potential effects of electricity disclosure are difficult to forecast and measure. Besides increasing transparency and educating consumers, demand for electricity with certain generation attributes might be created which could have an effect on the market in the longer term. However, there is no reliable data available (e.g. from the US) on such quantitative effects.
- Electricity Disclosure policies should avoid to overflow consumers with information.
- Electricity Disclosure could increase transparency on cost and prices of electricity from certain sources, e.g. renewables are not always more expensive than non-renewables.
- The introduction of certificates as an instrument for tracking allows to separate transactions of electricity and generation attributes. However, this separation is only optional: Certificates can also be used in “bundled contracts” (electricity and attributes), which is equivalent to contract-based tracking.
- Concerns were raised that the introduction of certificates could be a danger. For example, imports of certificates from Iceland would create imbalances between physical electricity and attributes on the European mainland, and their use in disclosure information would be difficult to explain to consumers. However, it is not given that if certificates are introduced, certificates from Iceland need to be accepted for disclosure in Germany.
- When introducing certificates from tracking, it is important to keep the (regional) balance between physical electricity and attributes. One measure to support and verify this could be the use of identical accounting periods.

- Generally, the introduction of certificate systems requires careful design of policies, in order to avoid unintended developments (e.g. the large imports of green certificates from existing plants across Europe to the Netherlands).
- If certificates and a central registry are introduced, it is still not clear what kinds of trading platforms will emerge. A registry as such is no certificate exchange.
- It would be possible to introduce certificates as a voluntary tracking option in a first stage. A growing demand for certain attributes could create incentives for utilities to use this option.

Potential criteria for tracking systems (slide 18):

- Any tracking system should be able to create information that is meaningful to consumers and other stakeholders. This is not the case if large shares of statistical data are used. A harmonised European tracking system can support the credibility of disclosure.
- The tracking system must be understandable and consistent. (Media will pick up any unclear issues and inconsistencies.)
- The Electricity Market Directive requires reliable disclosure information. Further criteria could be derived from the recommendation of the Commission on the implementation of disclosure.

Further comments on the presentation:

- In slide 3, “nuclear waste” should be added as a production attribute.
- A glossary of most important terms used in the project would be helpful.

3 Framework conditions for tracking in Germany

See presentation “Rahmenbedingungen in Deutschland” from Christof Timpe.
(Rahmenbedingungen in D.pdf).

3.1 The allocation mechanism in the EEG

Issues from the discussion:

- The current allocation mechanism in the EEG can be seen as a partial tracking mechanism (designed and used only for supported RES-E).
- Participants questioned the additional benefits of using certificates for this allocation mechanism. A potential benefit could be synergies between the EEG and disclosure, and the protection against multiple counting of attributes of electricity fed in under the EEG.
- It was unclear whether the EEG balancing accounts effectively prevent suppliers from exporting EEG electricity, e.g. in order to receive higher revenues. If such exports happen, there is a high risk of multiple counting if there is no reliable international tracking mechanism in place.
- If EEG electricity is exported, then this must result in cost reductions for domestic consumers. There is currently no mechanism to verify this. It was also noted that the allocation of cost is not transparent, and that different suppliers charge strongly differing charges per kWh sold to final consumers for additional cost from the EEG.
- It was discussed whether “cherry-picking” (where suppliers can temporarily sell EEG electricity outside of the EEG allocation mechanism when this is more profitable) should be allowed. However, such questions are outside of the scope of the tracking scheme.

- The presentation has raised the (open) question, whether the EEG might have to offer the feed-in tariff also for imported RES-E. This could become an issue in relation to the completion of the internal market for electricity. However, there is no real pressure in this direction, as the Renewables Directive, which allows support schemes to impose certain restrictions to the electricity market, was adopted after the PreußenElektra case (on the Stromeinspeisungsgesetz (StrEG), the predecessor of the EEG) had been ruled by the European Court of Justice.
- For the cost/benefit analysis in E-TRACK, it would be interesting to know the total cost of the current EEG allocation mechanism.

3.2 Implementation of Guarantees of Origin for RES-E in Germany

Issues from the discussion:

- The presentation has questioned whether the current implementation of the GO for RES-E in the EEG allows for multiple counting of RES-E, as several auditors could be used by generator to issue several GO for the same volume of electricity. It was discussed whether financial auditors would be able to prevent this.
- The plant registry, which is an option under the EEG, could help to prevent this form of multiple counting. However, it is unclear whether and when it will be implemented.
- The EEG does also not provide for a redemption mechanism for GO, after they have been used.
- It is important to recognise that both GO and disclosure labels (usually) are ex post only, i.e. are issued after the electricity production has taken place. Participants discussed whether the ex post trading, which is possible in a certificate system, would help suppliers to match their “actual” portfolio with the desired one, and whether this option is desirable.
- Suppliers sometimes give consumers ex-ante claims about their products, e.g. for green power. In this case, trading of certificates after generation and consumption have taken place can help to match the actual portfolio with the claims.

3.2 Electricity Disclosure and Tracking in Germany

Issues from the discussion:

- Some participants argued, that the introduction of certificates opens up a too high flexibility for suppliers to design their company portfolio and individual products as they wish. However, this flexibility also exists to some extent in a contract-based tracking system: Here, two traders could conclude two bilateral contracts about the same volume, but with different attributes. This would result in an exchange of attributes, without any electricity actually flowing between the two participants.
- It was also argued that certificates open up the door for misuse, because generation attributes can be transferred without any physical impact. This was disputed. If the total income of a generator consists of a price for (grey) electricity plus a price for the attributes (contained in certificates), then the price of the certificates have an effect on the economics of generation, just like contracts would have in a contract-based tracking system.
- The introduction of disclosure could have the effect that the existing quality labels for Green Power, which ensure certain levels of additionality, are weakened, and that the overall positive effect of consumer decisions to purchase green energy becomes smaller.

- It is important that suppliers disclose their company portfolio to consumers, and not only individual products. If a contract-based tracking system is chosen, then only the net delivery of electricity between two individual trading partners (i.e. the balance of all individual contracts over the reporting period) should be taken into account. This is implemented in the VDEW recommendation for disclosure in Germany.
- The risk of multiple counting was discussed, which would occur under the tracking rules proposed by VDEW/dena due to the combination of explicit (contract based) tracking and implicit tracking (UCTE mix). It was argued that this error is relatively small, as it only occurs in case of purchases from the power exchange and undisclosed imports.
- The maximum level of error due to this design of the tracking scheme for Germany, which is proposed by VDEW, could be an issue for discussion in the second workshop.
- It was also discussed that the use of UCTE production data as a “proxy” for electricity of unknown origin does not comply with the current draft legislation on disclosure. [Note that this point has changed until the final version of the legislation (EnWG), which now includes references to UCTE data.] Although unknown origin could be disclosed separate from the energy sources used for disclosure of electricity from known origin, it is still necessary to use default values for the environmental indicators of the electricity with unknown origin.
- The proxy will also have to be used if imports are associated with disclosure information which is not compatible with the fuel categories used in Germany. This emphasises the need for coordination of tracking systems in Europe.
- It could be difficult to effectively correct the UCTE production data by all attributes tracked explicitly (resulting in the national or European residual mix), because there is no central information point for this information.
- UCTE intends to differentiate their statistics into more different energy sources.
- It was discussed whether it makes sense to include exports and imports into the accounting for the indicative targets for the expansion of RES-E under the Renewable Electricity Directive. Most participants agreed that there is no use for Germany to open up the target for trade, and that the German target should be met by national RES-E production.

4 Close of the workshop

The minutes from this workshop will be sent by Email to participants, together with the presentations.

All participants will be invited for two more workshops in the course of the E-TRACK project. In the second workshop, there will be the possibility of presentations from participants on issues related to the E-TRACK project.