

E-TRACK workshops**Workshop 1 Paris**

20th May 2005

Main findings and statements

Were present :

- Olivier COLSON, EDF, Optimisation and Trading, Business Integration and Development, Regulatory Affairs
- Rémi PERRIN, CNR, Front Office Manager
- Julien JANES, Analyst, CRE, Public Service Department, Electricity Market & Public Service Directorate
- Pierre PICARD, Manager, Green Access (trading of green certificates and RECS production aggregator for energy producers)
- Frédéric TUILLE, researcher, Observ'ER
- Diane LESCOT, research manager, Observ'ER

Three face-to-face interviews were also done with the following persons :

- Thierry CHRUPEK, Ministry of Industry, Economy and Finances, General Direction of Energy and Commodities, sub-direction of demand and rational use of energy, office of renewable energies and new technologies
- Jean-Yves GRANDDIDIÉ, manager of VALOREM, vice president of France Energie Eolienne (association of wind power producers, will soon be part of the SER, syndicate of renewable energies)
- Raphaël CLAUSTRE, project manager, CLER (liaison Committee of renewable energies)

This document gathers reactions from the workshop and the two interviews, as they were conducted along the same guidelines and presentation as the workshop.

1. Introduction :

- The question of anonymity of exchanges was discussed and it was agreed that the statements made by the participants would be recorded anonymously.
- It was explained to the participants that some interviews would be made with other French actors who would be present in the following workshops. The absence of Portuguese and Spanish people was explained by the fact that no legislation was issued for the moment in these countries regarding GO or disclosure and hence they refused the invitation for the first workshop. Two Spanish participants should be present in November.

2. General background and general discussion

Comments made were the following :

- Some wonder that part of national production could not be counted for the European objectives.
- As there are feed in tariffs in France, which do not require a certificate, the perception of the support use in France is that the consumer decides to bring an additional support to renewable production through the voluntary process of subscribing to a green offer. Hence support use is perceived as being linked/identical to disclosure use.
- Because of green offers, there could be a need for some suppliers to be able to track additional information in order to support specific marketing strategies. This could be information linked to the producing power plant such as the region where it is located.
- Tracking of attributes through contracts was seen as being very difficult if multiple trades take place. But it is not simple either when only one contract is passed between a producer and a supplier : indeed long term contracts involve quantities of electricity rather than quality of electricity. A producer usually commits himself to deliver a quantity of electricity over a period, but this is not a from pre-defined production device. Also there are some auctions of power blocs that do not specify the producing technology.

For short term trades tracking is also a problem because there are many successive trades, which dilutes the information.

The segmentation of the markets through several contracts specifying a production device was not felt as advisable because it reduces market liquidity. And moreover it raises the costs, which is not in the interest of the consumers.

- In comparison to tracking through contracts, tracking through certificates seems more appropriate, because it is feasible. However, if the intellectual relevance of a disclosure system through certificates is obvious, actors doubt that consumers will want other certificates than the green ones, that is to say, they doubt the economic relevance of such a system.

« It is very complicated and the cost might rise. Transparency would be at the highest but does the consumer really want that ? »

There was a suggestion that some consumers could look for a secure furniture and search a large power plant (meaning nuclear). But the nature of electricity and of the electricity grid does not enable such a guaranty and therefore buying nuclear electricity does not mean that there won't be any shortage for the client that has subscribed such a contract. Criteria for the evaluation of a tracking system lacked the idea of simplicity for the users (consumers, producers and suppliers) of the system.

3. Project objectives and schedule

- Regarding the project itself, one participant said that *« the aim is to find the lowest common denominator to set up rules »*
- There was a lot of interest to read the results of WP1 and WP2 to be able to know what is done abroad.
- The participants also wanted to know what were the link of the project team with the RECS system and the AIB.

4. Framework conditions for tracking and existing schemes

The presentation that was made is attached to these minutes. As there was no content on disclosure and GO available for Spain and Portugal, the presentation focused on the Netherlands, Flanders and France.

- The disclosure obligation in the Netherlands was felt to be not in line with the directive because it was ex ante and the directive stipulates ex-post. A hypothesis was made that it was done so in order to reward a planned marketing strategy.
- For Spain, one participant explained that all suppliers go through a mandatory pool, OMEL, and therefore, all suppliers have the same mix.
- A discussion followed on how disclosure was implemented in France. Indeed, the decree establishing the disclosure obligation does not tell the suppliers how to proceed. They had to start communicating on their mix of 2003 from 1st of July 2004.
- A recommendation was made that categories displayed on the disclosure be harmonised because in France for the moment they are the choice of the sole supplier.
- In an interview, it was recommended that if a supplier sells a green product than it should deduct it from the mix it shows to the consumers that have not subscribed to a green product.
- EDF explained how they proceed.

They calculate every year for the volumes of energy of the preceding calendar year.

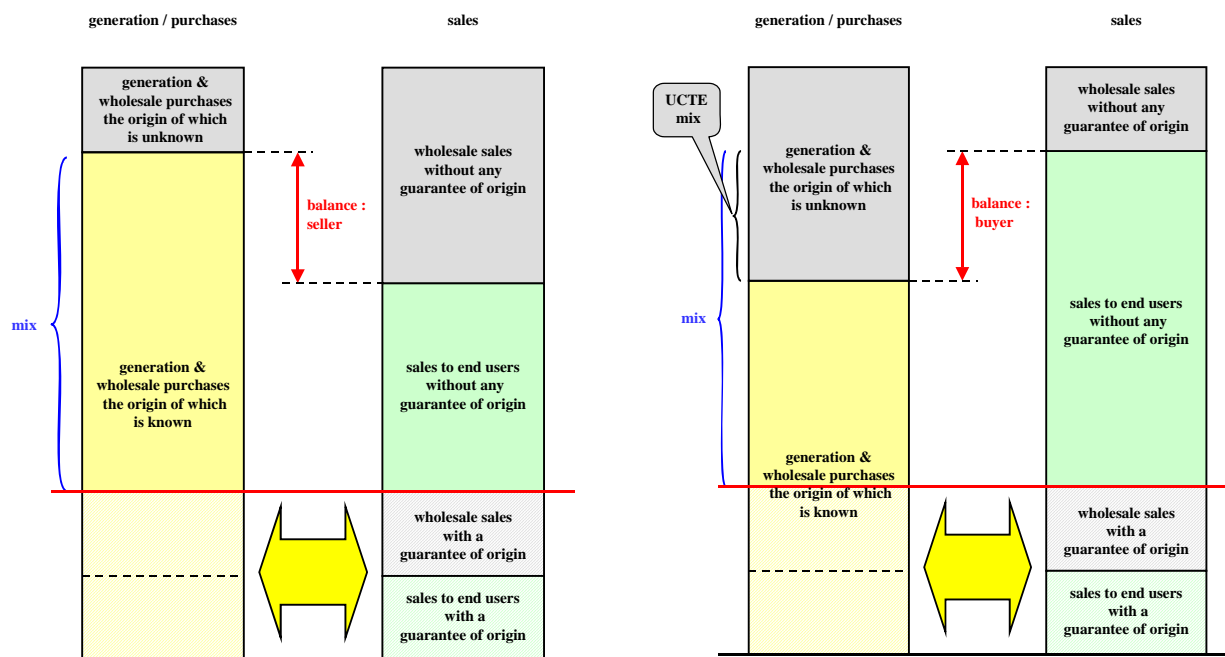
In the first place, one has to identify and separate

- production of known origin from production of unknown origin (in terms of primary energy sources)
- purchases of known origin from purchases of unknown origin (in terms of primary energy sources)
- wholesale sales with a « certified origin » from wholesale sales without a « certified origin »
- sales to end consumers with a « certified origin » from sales to end consumers without a « certified origin »

The methodology applied by EDF consists in calculating the difference between generation and purchases with unknown origin and wholesale sales without certified origin and in attributing a standard mix of reference to this difference if it is positive (that is if the supplier is "net buyer")

Hence:

- if this difference is negative, the supplied mix will be calculated from production and purchases of known origin (like obligation purchase contracts)
- if this difference is positive the supplied mix will be calculated from production and purchases of known origin and from the difference already mentioned qualified by a " standard mix of reference".



The CO₂ emissions and radioactive wastes for 1 kWh have to be calculated on the same energy volume as the supplied energy mix calculated as explained above. They are known for EDF's own production part. For the rest, they have used normative emission factors from the ministry of industry DIDEME.

- There were some comments on the fact that if a producer-supplier does not follow the rule to affect its own production to the supplied mix he could have the temptation to make its mix more « acceptable » to final consumers by considering that all green production coming from the not certified mix of the other producer is devoted to final sales and that the rest goes to the wholesale market.
- Disclosure could also hinder green marketing for producer – suppliers whose production devices are 100% working on renewable energy. Indeed their green electricity products would be less attractive if no grey electricity is present in the general mix.
- In both methods, the problem is the untransparency of the residual mix. There was a suggestion that making it more transparent was a task for the TSO.
- The EDF method could be very reliable if adopted all over Europe.
- The question of the verification of the disclosed mix was raised. All data are auditable. The idea of a certification for all MWh was considered very complicated and economically not viable. « *Costs must be proportionate to what is at stake* »
- An interviewee suggested that we should be aware of a potential problem of double counting in France between GOs (when it will be operational) and RECS certificates, because for the moment nothing is foreseen regarding the relationship of the two.

5. The potential design of a tracking system with regard to RES-E policies

- The monolithic system was considered irrelevant and disjointed certificates systems as very complicated to manage and leading to high fraud.
- The sequential redemption model was thought more appropriate.

6. General suggestions from the participants for the specifications of the European system

- Harmonisation of the rules was perceived as the key condition to avoid fraud and double counting. The idea of a central organisation (a European TSO) to manage the whole system was also raised spontaneously as another means of ensuring no double counting. But this was felt as unnecessary. Some even thought that there was no need for a central organisation at all, even on the national level.
« Why wouldn't producers exchange certificates one with another, this would not mean that fraud would occur. Banks exchange money between themselves, there is no central organisation. The important thing is that the transaction should be received in the same terms by supplier or producer. »
But the majority thought that a third party was necessary in order to make the system credible to the consumer. *« But banks are the third party ! ».*
- One participant cited as an example of a good but not too complicated system the site of Greenpeace Germany as being very transparent and providing information on the electrical mix every quarter of an hour.
- In an interview it was recommended that the system be transparent and understandable for all, and that it could be used for all actors that are willing to do so. Also one has to take into account the way it will be explained to end consumers : a superposition of different instruments (GO, Certificates, Labels) could be very confusing for him.

7. Next steps and feedback

- The next workshop has been scheduled for the 23rd of November.
- Some participants felt that the project lacked a serious evaluation of the consumers' willingness to pay for a generalised certificate system.
- One participant : *« In France electricity is considered as a service that is due to the consumer. But electricity is a good that is becoming more and more expensive. The E-TRACK project might help to increase awareness about the fact that electricity has a real value and could help change behaviour. »*