

A European Tracking System for Electricity (E-TRACK) project

Minutes from the first Nordic consultation workshop

Stockholm, 07 June 2005

Participants

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Peter Chudi (Sydkraft, SE)

Jouni Tolonen (Finnish Energy Industries, FI)

Christof Timpe (Öko-Institut)

Introduction (Claes Hedenstrom and Christof Timpe)

CH and CT explain that this is the first workshop in a series of three workshop scheduled for the Nordic countries in the course of the E-TRACK project. Vattenfall as a consultation partner in this project had volunteered to host and organise this workshop. However due to a technical mistake, the initial invitations were only sent out to Swedish participants. This was corrected later, but still participation from other countries is very limited. CH apologises for this. He hopes that more Nordic invitees can participate in the following two workshops.

There will be a national Swedish workshop on electricity disclosure one week after this workshop, which is being organised by Svenska Naturskyddsforeningen (a Swedish nature conservation organisation which also runs the green power quality label "Bra Miljöval").

Introduction to the background of the project (Christof Timpe)

See presentation "Background of the project"

Issues from the discussion

The Electricity Directive assumes that disclosure information will be given to consumers retrospectively. However, an ex ante information might be even more relevant for consumers. Ex ante claims are common for green power products, but will not be possible for the whole market, because there are too many uncertainties about power generation (in Nordic countries mostly due to varying hydro production).

There was a question whether there is any country where electricity is traded exclusively on a mandatory market place (this could be the case with the Spanish power pool). In this case, it might be easier to link the attributes with the contracts. In Poland, trade of green certificates must go through the power exchange Polpex.

A relevant issue is under which conditions attributes should be exchanged between countries. For example, does there have to be a physical connection (e.g. Austria intends to import certificates from Iceland)? Or do we need some form of reciprocity? In the (most likely case) that attributes might be unbundled from electricity contracts, how can we ensure that the attributes available in a certain region or country (roughly) match the electricity consumed?

If explicit and implicit tracking are combined, multiple counting of attributes can easily occur. For example, all RES-E could be tracked explicitly based on GO. If in this case the UCTE and/or NORDEL mix is used for all (or most of) the non-RES-E part of the electricity market, then RES-E would be part of this system mix, and therefore would be counted several times, while some non renewable generation would disappear in the tracking scheme. If explicit tracking could be restricted to (mandatory) use of RE-GO, then an easy solution could be to remove the renewable part from the statistical mix (which would be a step towards the concept of a residual mix). However, use of GO is not mandatory and market players might also wish to explicitly track some other generation attributes (e.g. low emission electricity from CHP based on natural gas) as well. In this case the determination of a residual mix (being statistical data on generation minus all attributes which have been tracked explicitly) is more complex and might require the use of a central registry for explicit tracking.

In any practical system, a certain degree of multiple counting and inaccuracy might have to be accepted, because a 100% accuracy of a tracking system might imply unacceptable cost and complexity.

Introduction to the project and its objectives (Christof Timpe)

See presentation "Objectives and work plan of the project"

Issues from the discussion

CH strongly asks the project to consider the full range of aspects associated with electricity tracking. These comprise four categories: technical, policy, legal and market aspects. It must be avoided that e.g. legal aspects are ignored, e.g. the question who has a right to claim ownership of certain attributes.

Participants questioned whether it is realistic to come up with a harmonised tracking standard for Europe. It is not clear yet in which timeframe such a standard could be implemented. Due to current developments on the national level, it is clear that any standard would be in conflict with at least some existing rules and procedures.

The project should not only propose a standard for tracking, but also describe the obstacles on the way to its implementation.

Participants asked that the list of members of the Steering Committee be included in these minutes (see annex). CT announced that there were suggestions to change the name of the SC into "Advisory Committee".

Participants suggested that it is too early to address CEN/CENELEC with the proposed tracking standard. This would also require a clear mandate.

Comments from Rickard Nilsson

Because RN has to leave early, he summarises some comments and questions to the project.

- In his role as consultation partner, RN has received a first draft version of the WP2 report. He has concerns that the approach outlined there might reduce market liquidity and the market might be “cornered” in separate parts. CT invites RN to give his comments in writing directly to the authors of the WP2 report (ECN).
- RN remarks that standardisation of products in the electricity market is very important in order to increase liquidity.
- RN generally questions whether there will be trades in attributes other than RE-GO. Therefore he suggests to start with a tracking scheme strongly based on statistics, which can be expanded with certificates in a later stage.
- Following a question by CT, RN replies that a potential role of Nordpool in the framework of a European tracking scheme could be clearing of attribute transactions.

CT and CH thank RN for his participation.

Overview on the situation in Sweden (Claes Hedenstrom and others)

See also presentation “Framework conditions for tracking in Nordic countries” by CT

The law on disclosure is not yet passed. However, even more relevant for the E-TRACK project might be the planned ordinance, which is expected to be issued as a draft in September. The disclosure scheme in Sweden will most likely be based on the assumption that buyers of electricity using a bilateral contract with the seller will always receive the company mix of attributes of the seller. However, this is not fully clear yet.

Market players in the Nordic area agree that liquidity in the electricity market is a key issue. Any measure which will reduce market liquidity will most likely not be supported by the electricity industry. Currently, between 40 and 45% of the physical electricity trades are going through Nordpool.

There is a concern among the electricity industry that in those cases where sellers of electricity have a “better” (more attractive) company mix of attributes than the average (Nordpool) mix, then this might create an incentive to bypass Nordpool with electricity trading. This would reduce market liquidity.

The 60% indicative target for RES-E as laid down in the Annex to the RES-E Directive is being disputed by Sweden. Sweden argues that the starting point in 1997 is lower than the value in the Directive and therefore the target should be between 50,5% and 52%. This means an increase of 10 TWh of RES-E generation (which corresponds to the objective of the national obligation scheme).

The Swedish obligation scheme features a buyout option. Formerly, the buyout price was fixed, but has now been changed into a surplus of 50% on the average market price.

There is an additional support scheme for wind power, which will be phased out for onshore wind.

The GO scheme is separated into two parts:

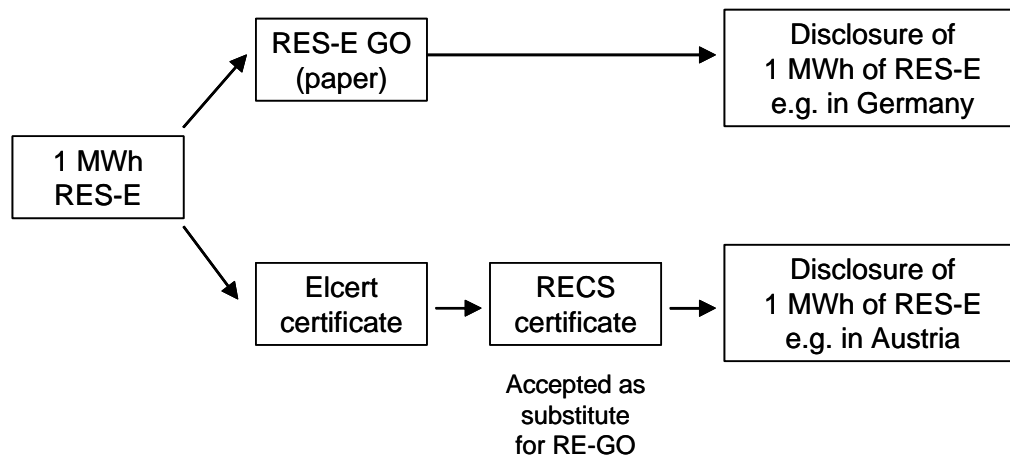
- Plants which receive Elcert certificates (for the obligation scheme) can also receive GO, but these are issued on paper only.

- Plants which are not eligible for Elcerts can receive electronic GO based on the EECS standard.

Elcert certificates can be issued both for RES-E and for electricity from peat.

Elcert certificates can be transferred into RECS certificates. (This possibility might be changed if the Swedish system is transformed into a joint market with Norway.) This regulation ensures that there is only one tradable certificate for each unit of electricity.

CT points out that nevertheless the current regulations can lead to multiple counting of RES-E generation from Sweden, because the parallel use of the paper GO is not prohibited:



There is no explicit regulation which links Elcerts and disclosure, but the use of Elcerts for disclosure is also not clearly excluded. The Bra Miljöval Green Power label can be received by suppliers as well, even after Elcerts have been issued. This seems to reflect the interpretation that Elcerts are support certificates only with no function for disclosure.

However, once the joint Elcert market with Norway is established, the Elcerts must at least be able to carry the attribute for RES-E target accounting. This might imply that Elcerts must be linked with GO, and therefore also with disclosure.

Action point

CH will email information to CT on the use of the buyout option in the Swedish obligation scheme.

Overview on the situation in Norway (Claes Hedenstrom and others)

In principle the regulations are similar to Sweden. Detailed regulations on disclosure are expected this month.

There is a possibility for multiple counting, for example if GO (as certificates) are exported to Austria, but the national disclosure scheme is based on contracts, not reflecting the export of GO. This problem should be solved.

There is no agreement from the government that exported RE-GO can account for the RES-E target in the importing country. (However, some importers might simply assume this.) Workshop participants suggested that the target should be changed into a target only for additional (new) generation. Then there would be no effect on the trade of electricity from existing RES-E plants.

The government has launched a joint working group with the CHP association to work on implementation of the GO for CHP.

Overview on the situation in Finland (Jouni Tolonen)

On ordinance on disclosure has been passed on 14 April 2005 (available in Swedish). The disclosure requirement has been implemented already one year before this. There is a minimum list of fuel sources (nuclear, fossil (including peat), renewables). Environmental indicators can be displayed on company website.

For purchases from Nordpool, average values supplied by Nordpool are used, and for imports from Russia, a mix supplied by the exporter is accepted. This means that most Finnish suppliers will disclose the Nordpool mix (because most of the market is traded at the exchange).

For Finnish suppliers, the Nordpool average is attractive, because it has a higher share of renewables and a lower share of nuclear than the usual producer mix. However, this includes Norwegian hydro generation. If Norway uses a national production mix for disclosure, then this leads to multiple counting as well.

RES-E support is based on investment aid and tax exemptions.

RE-GO are treated independent from disclosure. There is no domestic use for GO in Finland.

CHP-GO are under preparation. The potential link to RE-GO for biomass CHP plants is unclear.

The normalised (adjusted for rainfall) RES-E share in 2003 was 27%. The 2010 target is 31,5%.

Multi-attribute system

See also presentation "Interaction of the tracking scheme and RES-E policies" by CT.

The disclosure attribute is the most relevant one for consumers. Support and target are relevant for governments. Eligibility to Bra Miljöval labelling could be implemented as an earmark to the disclosure attribute.

More issues from the discussion

Several options for multiple counting have been identified throughout the workshop. These problems should be solved. Transparency about regulations and the interactions of different policies is a key requirement in order to avoid multiple counting and other shortfalls.

For example, it must be clarified whether a biomass CHP plant receives two separate GO (CHP and RES-E), or only one. If GO can be used for disclosure, then only one GO may be issued. Additional information (such as CHP qualification) could be included, e.g. as an earmark.

The adjustment of existing regulations will take some time. Several steps will be required in order to come to a coordinated policy (on domestic and European levels). E-TRACK is meant to support this development.

Throughout all these discussions, the experts should keep in mind that the disclosure policy was implemented as a guidance for consumers. It is very important that consumers do not mistrust the disclosure information, or think that the information is meaningless. (This could for example occur if electricity from Iceland is disclosed to customers in continental Europe.) It is also not clear whether cus-

tomers are willing to pay for the extra cost related to tracking and disclosure (and how big these cost will be).

Annex

Members of the E-TRACK Steering Committee (as of June 2005)

(Note that it has been suggested to change the name of the committee into “Advisory Committee”, because this would describe its functions more adequately.)

Anne-Malorie Géron	Eurelectric	(Decision on further participation outstanding)
Claes Hedenstrom	RECS International	
Dörte Fouquet	European Renewable Energies Federation (EREF)	
Holger Krawinkel	The European Consumers' Organisation (BEUC)	
Jon Lauritzen	Association of Issuing Bodies (AIB)	
Juan Jose Alba Rios	European Federation of Energy Traders (EFET)	(Decision on further participation outstanding)
Karina Veum	European Commission, DG TREN	
Matteo Leonardi	Council of European Energy Regulators (CEER)	
Simon Minett	Cogen Europe	
Stephan Singer	WWF European Policy Office	
Urban Keussen	European Transmission System Operators (ETSO)	(Decision on further participation outstanding)