E-TRACK project

Minutes from the second Consultation Workshop in Germany (DRAFT)

9 May 2006, 10:00 – 16:30

Venue: Vattenfall Europe AG, Chausseestrasse 23, Berlin

Participants

Thomas Bächle (Austrian Power Trading)
Christoph Erdmenger (Umweltbundesamt)
Oliver Germeroth (Energiedienst)
Berit Heuer (Stadtwerke Hannover AG)
Andreas Jahn (Bundesverband neuer Energieanbieter)
Matthias Koch (Büro für Energiewirtschaft)
Frank Krummer (EnBW)
Jens Lück (Bundesnetzagentur)
Jan Gerrit Otterpohl (Vattenfall Europe)
Jörg Rummeni (RWE Energie)
Christoph D. Schmidt (VDEW)
Thoralf Schulz (Bundesnetzagentur)
Jörg Schupan (Vattenfall Europe) until 12.30
Heiko Stubner (Grüner Strom Label e.V.), until 13.00
Stefan Ulreich (E.ON Energie)
Dagmar Weinberg (Bundesministerium für Wirtschaft und Technologie)

Christof Timpe (Öko-Institut)
Andrea Effinger (Öko-Institut)
Aaron Best (Öko-Institut)

Agenda

10:00	Welcome and introduction of new participants Confirmation of the agenda	All
10:15	Background, objectives and status of the project Summary of findings from the first work packages: WP1: „Existing Tracking Schemes" WP2: „Framework conditions for tracking"	Christof Timpe
11:00	Experience with the tracking system according to the VDEW guidelines	Frank Krummer, EnBW
11:45	Evaluation criteria for tracking options Comments and Discussion	Christof Timpe
12:30	Business Lunch	
13:15	Options for tracking electricity Comments and Discussion	Christof Timpe
15:00	Coffee break	

15:15	Cost drivers of tracking systems	Christof Timpe
16:00	Outlook on the upcoming work in the project (Work Packages 3, 4 & 5 and consultations)	Christof Timpe
16:30	Close of the Workshop	

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

Approval of the minutes from the workshop on 25.05.2005

The minutes from the first German consultation workshop are approved with one change: Jahn represented BNE at the meeting.

Action item: Öko-Institut will correct the text of the minutes to show this.

Project Overview and Summary of Findings from Work Packages 1 and 2

WP1: „Existing Tracking Schemes“, WP2: „Framework Conditions for tracking“

See presentations “*1a-project status.ppt” and “1b-Framework Germany and AIB.ppt”.*

Christof Timpe presents the current status of the project and key conclusions from WP1 and WP2, and the framework conditions in Germany and current AIB work.

After the presentation, the following issues are discussed:

- The content of the WP1 report is current as of early 2005, but publication was delayed to March 2006 by extensive commenting from stakeholders.
- The quantitative impact of current errors in a country’s default set of data for electricity of unknown origin (production statistics vs. the proposed residual mix) varies, increasing with the proportion of renewable electricity (RES-E) generated in that country. This is due to the fact that up to now, it is mainly RES-E that is tracked explicitly.
- RWE states that it uses contracts or certificates for tracking of green electricity products. But for all other electricity, the ex post methodology based on the VDEW guidelines should not be a problem, because most customers base their purchasing decision on price. Timpe explains that the E-TRACK intends to support the use of attributes as a purchasing criteria for consumers (at least as a secondary aspect of the buying decision after the price), which is helped by a larger share of explicit tracking.

Experience with the tracking system according to the VDEW guidelines

See presentation “Umsetzungshilfe VDEW Leitfaden_Bilanzierung.ppt” by Frank Krummer of EnBW.

After the presentation, the following issues are discussed:

- **Use of the VDEW guidelines.** Timpe asks what portion of providers use the VDEW guidelines? Schmidt responds that a comprehensive survey showed that almost all use the guidelines.

- **APT disclosure guidelines:** The APT disclosure guidelines could be seen as not fully conforming with the energy law, because it requires that the UCTE mix is used for electricity of unknown origin, whereas the APT guidelines list “electricity from unknown origin” as a separate item in the fuel mix list. UCTE is mentioned there, but the actual data is not used.
- **UCTE Mix:** Timpe asks for what portion of electricity the UCTE mix was used. The regulator can not yet answer this question at this stage (the monitoring report is expected to be finalised by June). RWE used the UCTE mix for approx. 2% of its electricity portfolio, and E.ON only used it for the electricity bought from the exchange.
- **Share of EEG electricity:** Erdmenger mentions that according to statistics collected by UBA on disclosure statements of about 120 suppliers, there is more EEG electricity declared to consumers than is paid for through the EEG. Erdmenger mentions that many firms have exactly 11% electricity from renewables which is equal to the EEG. However, this share is related to the final consumption of those consumers which are required to pay for the feed-in system, whereas the disclosure statement, and the national reference values, relate to the shares of each energy source in the overall generation. Krummer replies that the share of RES-E depends also on imports of green energy. He suggests that the VDEW working group discusses these issues with the UBA.
- **Volatility of disclosure information.** Timpe asks how volatile the fuel mixes are from year to year. Rummeni replies that purchase contracts have little effect. More important is whether there have been outages of power plants during the year. Ulreich expects the largest changes to come from the switch between net imports and exports between Germany and France. Germeroth adds that there are more significant changes in small countries (e.g. Switzerland). Jahn says that smaller firms see more volatility in their fuel mixes than larger firms do.
- **Speeding up of the accounting procedure.** Following VDEW guidelines, the fuel mix of a given year will only be available for disclosure to customers after 15 December of the following year. Timpe asks whether it would desirable to speed up this process. The relevant process for this late finalisation is the ex post accounting for EEG volumes. Jahn remarks that improvements in the transparency of the EEG allocation mechanism are an element of the current discussion about a revision of the EEG. Ulreich explains that CO2 emission data will be available by the end of February. The relevance of speeding up the provision of data to consumers is related to the volatility of the information, which can be different between small and large suppliers (see above).
- **Graphical presentation:** Erdmenger asks regarding the VDEW’s plans for specifying a standardised graphical representation of the electricity portfolio. Krummer responds that VDEW wants conformity and attractiveness in the disclosure label and for customers it would be easier to compare labels if they had the same layout. However, individual suppliers have different preferences and no consensus could be reached so far. That is why there are three options in the VDEW guidelines. He assumes that in some years, with further experience with the disclosure scheme, harmonization of the label design might be more feasible. Heuer states that graphic presentation is costly for smaller firms. Rummeni adds that if customers want the graphic format, then most suppliers would gladly provide marketing-relevant information in such a design.
- It is not fully clear yet when and how the **Guarantee of Origin for high-efficient cogeneration** will be implemented in Germany. The detailed steps are depending on the outcomes of

discussions about details of the implementation of the CHP Directive at the Commission level. This will most likely be decided by summer.

Criteria for evaluating the tracking system

See presentation “2-Evaluation Criteria.ppt”.

Timpe presents the five criteria for evaluating the tracking system: informational value, accuracy, robustness, feasibility and flexibility.

Issues from the discussion:

- Germeroth suggests that “robustness” and “accuracy” could be subsumed in a single “trustworthiness” criteria.
- Weinberg asks whether the idea of the project is to create a single tracking system to support multiple regulations, including disclosure, GO for RES-E and CHP, etc. Timpe confirms this and explains that the project will keep all these potential uses in mind when designing a tracking system. It will be clear recommendation from the project to integrate any kind of Guarantee of Origin into a comprehensive tracking system to avoid double counting. Timpe reiterates that the use of certificates does not imply a certain support scheme for RES-E or CHP. The support schemes in use in Germany can work well with a tracking approach based on certificates.
- Timpe reports that the project’s Advisory Group has suggested to discuss the costs of the tracking system, which is now part of the feasibility criterion, as a separate item. Heuer would support this, because small firms can be impacted more than others. Ulreich and Schmidt state that the benefits of a tracking system should be clearly emphasized and compared to the costs.

Action item: The project team will discuss costs and benefits separately from feasibility.

Options for electricity tracking

See presentation “3-Tracking Options.ppt”.

Timpe presents three tracking options developed by the project team, along with the project team’s recommended option for tracking. For each option, he outlines the evaluation according to five criteria.

Discussion regarding Option A “Ex post contract tracking”

- Weinberg criticizes the presentation and consultation paper for not distinguishing Option A enough from the current German system. Criticisms of Option A in the paper can thus be interpreted directly as criticisms of the German system. This is not fair, because the German system has been designed to deal with some of the problems discussed in Option A. Timpe clarifies that it was not the intention of the authors to make judgements on the current implementation of tracking in Germany, but rather to discuss in a more abstract form some of the potential problems aligned with an ex post contract tracking system. He apologises for not having been clear enough with this distinction.
- A discussion in the group ensues regarding whether to use explicit country systems as examples and evaluate those or use the current method of evaluating more abstract fictional ones. Timpe points out the diplomatic concerns in criticizing countries’ systems. This is why the project team has decided for discussing more abstract options.

Action items:

- Timpe will make it clear in further presentations and the project's report that the scenarios are fictionalized and abstract, and that the discussion bout option A is not transferable to the actual German system.
- For further discussion in the German workshops, Oeko-Institut will create a scenario representing the actual German system and score it according to the criteria.

Discussion regarding Option B "Voluntary certificate system plus residual mix"

- Bächle asks whether in this option the residual mix would be calculated based on issued or redeemed (used) certificates, saying basing this on used certificates makes it more difficult. Timpe responds that the residual will be based on used certificates, perhaps like the New England system in the U.S. (Nepool GIS), where there is a deadline for the use of certificates, after which the calculation of the residual is made.
- Rummeni asks how the residual mix would be calculated if the use of certificates is required only for green electricity (and not for other generation). Timpe replies that the residual can be derived from statistical production data minus the attributes of all redeemed certificates, including green, fossil or nuclear.
- Details on how the CO2 emissions generated will be calculated will be examined in work package 4 of the E-TRACK project.
- Heuer asks whether a cap on the use of residual mix would put constraints on trades in the market. For suppliers without own generation, it could become difficult to buy certificates if the generators withhold certificates from the market. Timpe responds that there is an open question about liquidity concerns in the context of the cap for the residual. However, similar concerns could also apply to the European emissions trading system. It is not clear yet whether a cap on the residual can be part of the E-TRACK recommendations. Therefore, the evaluation scores of option B might need to be changed.
- The issuing of certificates would be executed by an independent organization. In the case of Germany, this could be e.g. the association of system operators VDN).

General Discussion

- Weinberg states that it wasn't explained in enough detail why one option scored higher in one category than another option. This needs to be improved in the report.
- With regard to the VDEW guidelines, Timpe remarks that explicit tracking (bilateral allocation of attributes between buyer and seller) is not an integrated part of the tracking system. The guidelines only mention that if such transactions take place, then they must be taken into account before calculating the ex post allocation. He is missing a more prominent option for using Guarantees of Origin of certificates for other then just renewables and CHP. This would allow traders more easily to specify the fuel mix of their transactions if there is demand for it. He hopes that this possibility could also promote market differentiation. Ulreich remarks that earlier tests with more differentiated products were not taken up by customers.
- Timpe reports that the Advisory Group has requested the project team to develop a further option which is a "real" contract based system.

- He also reports that the UK is using a contract-based system that uses a residual mix which is determined by the regulators. Also, the new Danish system, which was presented during the second Nordic E-TRACK workshop is using a residual mix approach.
- There were concerns among participants that a residual mix approach could conflict with the regulations of the Directive.
- Rummeni states that an optional certificate system would be difficult, because generators would only issue certificates if they expect a selling price which also has to cover the administrative cost of plant registration and issuing. Ulreich adds that currently there is no demand for certificates outside of the small "green" market.
- Otterpohl remarks that if certificates are part of the tracking system and have a price, then they will help to convey incentives to generators. Schmidt adds that the relation of these incentives with other policy incentives would have to be assessed. Conflicting signals could cause problems.

Action item: The project team will clarify in the report why they came to a certain score for the options.

Cost Drivers of a Tracking System

See presentation "4-Cost-Drivers.ppt".

Key discussion issues following from this:

- It is not possible for participants to clearly identify the biggest cost drivers from the list of items presented.
- There is a broad agreement that the cost spent for disclosure should be in a sensible balance with the benefits for the market.
- **Assesment of benefits:** For a cost-benefit analysis, the benefits must be explicitly evaluated. Timpe explains that the project team sees the benefits represented in the five criteria (other than cost, as discussed previously).
- **Objectives of disclosure:** The discussion on benefits is related to the objectives of introducing disclosure. Several participants state that the major interest of consumers lies on green power, and therefore this part of the market should be in the focus of implementation of disclosure. Timpe responds to this, that there is also the objective of consumer education through disclosure, and that the system should be open to further developments in consumer preferences.
- Otterpohl says that the evaluation criteria currently are too undifferentiated to allow for an informed judgement about the cost/benefit ratio.

Action item: Öko-Institut will contact Schmidt and Rath to gather information on the costs of the VDEW model.

Overview of future project work

See presentation "5-Outlook.ppt".

Timpe presents the future work phases of the E-TRACK project.

The project team recommends that the third stakeholder meeting be in October or early November 2006. The final draft of the specifications of the tracking standard is scheduled for January 2007 and the project will end in June 2007. The final report will be sent to industry, other stakeholders, EU member state governments, and the Commission. There might be a shorter summary for key decision makers.

Participants agree that the next workshop will be in Berlin (exact location pending).