

E-TRACK workshops
Workshop 2, Paris
7th June 2006

Main findings and statements

Participants :

Pierre Picard,	Green Access, trading of green certificates and RECS production aggregator for energy producers - France
Antonin Coliche,	FNCCR – Fédération nationale des collectivités concédantes et régies - France
Armando Patrao Reto,	REN - Portugal
Erik Guignard,	SER, Syndicat des Énergies Renouvelables - France
Pierre-Guy Théron,	EDF – France (after 1pm)
Olivier Colson	EDF - France
Bernard Chabot,	Ademe - France
Diane Lescot	Observ'ER - France
Frédéric Tuillé,	Observ'ER – France
Excused :	
Julien Janes	CRE – France
Rémi Perrin	CNR - France

NB : Olivier Colson was interviewed in a face to face interview.

This document gathers reactions from the workshop and the interview as it was conducted along the same guidelines and presentations as the workshop.

Agenda :

1	10.30	Introduction (DL)
2	10.45	Status of the project (DL) Findings from WP1 & WP2 (with a focus on the countries covered by the workshop) (DL)
3	11.30	Discussion of recent developments in the countries covered by the workshop (all)
4	12.00	Evaluation criteria for tracking options (BC)
12.30 Lunch break		
5	13.30	Tracking options (DL) <ul style="list-style-type: none"> • Three generic options • Draft recommendation
15.00 Coffee break		
6	15.15.	Cost drivers of tracking systems (BC)
7	16.00	Outlook on the upcoming work in the project (DL)
8	16.15	Feedback (all)
16.30 END		

1. Introduction

- The question of anonymity of exchanges was agreed. The statements made by participants will be recorded anonymously.
- It was explained to the participants that some interviews would be made with other French and Spanish actors that were not able to come. The absence of Spanish people was understood as a reflection of the fact that no legislation was issued for the moment in this country regarding G.O or disclosure : main public organisations were reluctant to talk without a basis and private stakeholders did not feel very concerned yet.
- Presentation of the agenda

2. Project status

See presentation "2a project status.ppt".

There was some interest for the geographical scope of the project and some questions about how influential upon the European Commission it will be. The project was seen by new comers as a good source of information on the subject of electricity tracking and as a possible input to enrich the reflection on the subject in countries where there are no regulations about tracking and disclosure.

The objectives of the E-TRACK project were restated for the benefit of a new participant who did not understand at first what E-TRACK would bring about : « with a G.O system and a green certificates system, the information available will be quite detailed. Why do we need to go further ? ». Following this question, it was explained that the project is larger than just the renewable energies area and the final consumers need detailed information about the real composition of the mix of electricity they buy. Tracking attributes of all electricity produced and sold will allow suppliers to propose offers with accurate information about the composition of electricity and avoid double counting. A participant gave the following example : the current French mix of production of electricity contains 75% nuclear, 13% renewables, the rest being thermal conventional. On the electricity bills we get from EDF only 8% renewables appear. Where does the difference come from ? CNR is a big hydro producer but this cannot explain all of the difference. It means that EDF sells green electricity abroad, and this is not counted in their supply mix in the end. With a tracking system, this possibility of making the mix vary will increase. It will be possible also to create offers that are 100% nuclear, if there are clients for it. Some new participants expressed their interest for the fact that the tracking system could enable the final consumer to be given such attributes as the location of the production plant and the technology used, which would enable a precise geographical marketing for green offers.

The main findings from the 1st workshop were reminded :

- the difficulty to implement a tracking system without certificate system
- the lack of clarity and double counting risk resulting from the current situation where different tracking methods are used at the same time (contracts, residual mix, statistical average, etc.)
- Problem of the costs of audits
- central body as a first step toward solution
- Need to include in evaluation criteria the idea of simplicity of use for stakeholders

General conclusion from the 1st workshop were also reminded, part of which were the following routes for a solution to multiple counting :

- To use a residual mix which take into account the production plants minus the attributes from certificates and contracts.
- To create a central body which should collect aggregated data on explicit tracking of electricity and should develop the residual mix.

On this matter, one participant raised the issue that, in specific cases, a European residual mix could not be the best information for a country. « If a country is importing a part of its electricity from another country, it is mainly interested in the residual mix of the exporting country and not the one created by the central body ». Regarding this remark, the idea of regional residual mixes was raised. They could be based on regions like Scandinavia, or Iberian region, etc.

Participants discussed the possibility to count an attribute for the national target of one exporting country and at the same time qualify the exported electricity with the same attribute. Some were of the opinion that these were two different levels (« GO is linked to the production and certificate is linked to the consumption »), others felt that if a country, and hence its taxpaying consumers, have supported a specific production, then the production should be counted for the targets of the country. The discussion showed the necessity to solve these options through political decisions and to devise a tracking system that would allow for a coherent functioning of systems governed by different political options.

There was a question about the relation between attributes tracking system in France and the PNAQ (national plan of CO₂ quotas affectation). The markets were seen as disjoined because ETS in the European Union only deals with CO₂ emissions and not with reductions of emissions.

3. Recent developments in the countries covered by the workshop

The latest evolutions observed in Spain, Portugal and France were presented :

In Spain

A legislation has been passed for disclosure in december 2005 (Real decreto 1454/2005) with :

- obligation to detail energy sources,
- provision of information on CO₂ emissions and nuclear wastes produced during the year,
- detail of source of purchase,
- power exchange operator has to supply the same information to buyer

At the end of June, the government had to give a harmonised disclosure format, which was supposed to state the level of breakdown of different sources and the period. But no information would be given on how to count.

But still no G.O legislation is in place.

In Portugal

A draft for G.O was elaborated in June 2005 but it will probably be abandoned because the new government has devised a new law about electricity in February 2006. The country needs a new G.O draft in coherence with this new law.

In this new law there is an article imposing disclosure obligation, but without details (e.g. no list of energy sources). This article needs a decree of application.

In France

The decree for G.O (CHP and RES) was drafted, and is waiting for approval (has gone to the Conseil d'État). It foresees a GO for RES and CHP, indicating beginning and end date of production period, technology, quantity of MWh, location of plant, name and quality of recipient. There is a possibility to earmark the GO, but it is not mandatory. Controls will be made on a sample basis up to 3 years after declaration.

No guidelines for disclosure have been issued.

One participant notes that in France no one will use the GO. Indeed, the Energy law of July 2005 specifies that the right to ask for a GO in a feed-in tariff goes to the buyer of the electricity. And if the GO going with the electricity bought within a FIT is sold by this buyer, then he has to reimburse the CSPE, which is the fund compensating for the charges related to the feed-in tariff. In practice this means that small producers benefiting from FIT contracts won't be able to ask for a GO and that buyers of FIT electricity will not use their right to ask for a GO.

3. Evaluation criteria

See presentation "4-Evaluation criteria.ppt".

Generally speaking, the criteria were well understood by the participants.

There were several remarks about the fact that the criteria "informational value" could be a bit better defined. Some participants asked about final consumers' representation in the project and if they have been interviewed about their interest on the tracking of attributes. « Are they mostly interested by the mix or do they just focus on the price of the different electricity offers ? ». Doubts were cast on the fact that consumers want a very precise information. The project is supposing that consumers will give value to all this information. Local authorities could be sensitive more to the mix rather than to the price but it is more doubtful for private final consumers. According to what referential is the additional value of the information provided by a system judged ? There was a proposal to define the criteria more as the ability to fulfil the directive on disclosure (give information to end consumers) rather than suppose a value in the place of the end consumer. Another proposal was to rename it as the "richness of information" rather than value, which refers more to financial importance.

It was explained that final consumer associations were invited to several workshops across Europe in the frame of this project but few of them accepted to participate because the topic is too sharp, too precise for them and they have little time.

4. Selected tracking options

See presentation "5-Tracking Options.ppt".

The concept of *E-TRACK bubble* was defined as the geographic area where the tracking system is implemented.

Reactions on the 3 options and on the recommendation

« One of the main teachings of these scenarios is the importance of the State involvement to create a *bubble* were common rules are shared by all participant. Even if it is a regional *bubble* ».

Option A

Its main weakness is the fact that this option is downstream contract based. That means difficulty to get the information and lack of reliability. Also its mechanism is not clear : when are iterations finished : is there a fixed number of iterations or a temporal deadline after which no more iterations can be done? In all cases the functioning does not seem very convenient and simple. On top of that, the verification of information transfer appears impossible. Ex ante product claims cannot exist within the system because all

attributes are transferred a posteriori. If many stakeholders are not participating in the system, then accuracy becomes very much reduced and the credibility of the system is highly affected. Flexibility appears at highest because stakeholders can act as they want in practice.

Option B

The effects of B are considered to be a bit in line with today's current situation : only green is put forward and precisely tracked. It will lead to a system where conventional energies are monitored through implicit tracking. No distinction will be made among suppliers on conventional energy. One participant was of the opinion that there could be a distinction between nuclear and fossil energies, but there wouldn't be any between for example gas and oil.

Option C

Some participants thought this option would not be satisfying, mainly concerning the point of view of small producers. It would not be easy for them to certify their production (too costly for their own small level of production). A solution could be found through production aggregators that would diminish the cost.

Other participants considered that automatic issuing of certificates for all energy would not be a problem once the system for green energy is in place, provided that grid operators are responsible for that task. In principle, option C could be even simpler than option B because everything would be harmonised and compatible, with one registry and no need to calculate a residual mix. But in principle, this could be more interesting in a country where the uncertainty about the production mix is higher. In France, uncertainty about the mix is quite low because of all the nuclear plants in place.

This was the overall preferred option of two participants. One restriction : no central European registry should be created, but a a hub regrouping national registries, which is deemed the only politically acceptable solution.

Project team recommendation

The project team draft recommendation was globally assessed as a good option because it is "a reasonable one, giving the freedom of offer but not the freedom to choose the metrics of this offer". It was accepted by all stakeholders as a system to which they could participate because there were no heavy constraints on stakeholders who are not convinced to distinguish between conventional energies. Also it is an option which was felt to leave room to a development of explicit tracking when system is proven to function.

When asked how this option's performance on the informational value axis could be improved, the participants replied that this was not a necessity, on the ground that many are not convinced yet that final consumers are willing to pay for a higher informational value. One participant raised the question of the information on support earmarks, which, to his opinion, should not be too exhaustive as far as end consumers are concerned. It is very complex for consumers to understand all details of different support levels and support mechanism, it could have an effect of confusing him rather than guiding him in his choice. Another participant reminded that the willingness to give more information to the final consumer was also a political question which depends as well on the orientation of the governments.

Regional residual mixes that are foreseen in this option are felt to be closer to the reality of the markets.

One participant warned about the fact that exports outside the E-TRACK bubble could be used to "clean" the residual mix. Also, in the case of imports into the E-TRACK bubble, if the exporting country is not subject to the same tracking rules, then renewable energies

attributes could be included in the imports for the target and also counted in the producing mix of the exporting country.

Finally, participants stressed the fact that it is important that Issuing bodies would be independent from the market.

On the E-TRACK scenarios

The idea to process through a scenario analysis was thought to be a good and pedagogical idea, which shows the complexity of devising a tracking system and evidences that there are options and choices to be made.

5. Cost-benefit analysis

See presentation "6-Costs-Benefit analysis.ppt".

Categories of costs identified by the E-TRACK team were deemed clear. The participants made some suggestions for other cost categories:

- Costs associated to former systems which could be abandoned and replaced by new tracking systems, the so-called stranded costs.
- Costs for promotion and dissemination of the system, so as to get more stakeholders using explicit tracking.
- Insurance costs to secure the system against stakeholders' claims against it, be they State's or users' or consumers' claims .

Transaction costs in the economic meaning of the words, that is to say the costs for a stakeholder to create a new network and to conclude a deal, were not to be included as they are supposed to be incurred so as to generate benefits at a later stage.

Generally speaking, the participants thought that the main costs are identified but their evaluation could be quite difficult to do.

The distribution of costs to the different categories of stakeholders was felt to be a task for regulators. One participant asked that profit generated within the system should be mentioned as well in order not to give the impression that a tracking system only generate costs. This can be important if recommendations are made regarding cost distribution.

6. Next steps

See presentation "7-Outlook.ppt".

The next workshop has been scheduled for October 2006 (the precise date has to be set).

Specific press contacts for Spain and Portugal were asked to help the dissemination of the project results.