

# Minutes Consultation workshop E-track

## ***BENELUX countries, (Belgium, Netherlands, Luxembourg)***

ECN Office, Amsterdam, 5 July 2006, 10:30 - 15:30.

### **Attendants:**

Wietze Lise	ECN	E-track project partner	NL
Michael ten Donkelaar	ECN	E-track project partner	NL
Anne Korthals Altes	Nuon / Eurelectric	Energy supplier	NL
Chris Arthers	Essent	Energy supplier	NL
Gieneke van Dijk	certiQ	TSO	NL
Jan Vorrink	enerQ	TSO	NL
Haike van de Vegte	RECS International	Industry/traders	NL
Pierre-Yves Cornelis	CWAPE	Regulator	BE
Claude Hornick	ILR	Regulator	LUX

### **Introduction**

The aim of this consultation workshop was to discuss future scenarios of tracking options and to gain inputs from stakeholders regarding electricity tracking. A number of regional consultation workshops in the framework of the E-track project have been held in a number of EU MS during 2006. This was the second workshop gathering input from stakeholders in the Netherlands, Belgium and Luxembourg.

The participants present in this second workshop were from Dutch energy companies (Nuon & Essent), registry agencies of the NL TSO (certiQ, enerQ), industry/traders (RECS) and regulators (Wallonia - CWAPE and Luxembourg - ILR). They were all somehow involved in tracking of electricity, Guarantees of Origin (GO) and green electricity certificates.

The workshop had eight items on the agenda, where Wietze Lise gave the presentations, whereas Michael ten Donkelaar made notes for the minutes:

1. Introduction
2. Status of the project
3. Discussion
4. Evaluation criteria for tracking options
5. Tracking options
6. Cost drivers of tracking systems
7. Outlook on the upcoming work in the project
8. Conclusions

First Wietze Lise, describing the point of departure, the project objectives and the anticipated project results, gave a project introduction. He then continued with the first outcomes of the project, Work Package 1 and 2.

## 1. Introduction

There were no comments on the minutes of the previous workshop.

## 2. Status of the project

During the presentation of the conclusions of WP1&2 there were a number of remarks made:

- Slide 14 - general findings of WP1, “there is a clear lack of tracking mechanisms”, should be interpreted like a lack of implementation of electricity tracking
- It was remarked on slide 16 that explicit tracking of fossil fuels ‘could’ be done, rather than ‘should’. RECS believes it is necessary, because without explicit tracking of fossil fuels, multiple counting is difficult to avoid. There is a difference between what the market wants and what is in the directive. The energy companies believe that a sufficiently accurate representation of the current non-green market can be achieved without explicit tracking.

## 3. Discussion

**Netherlands** - main issues:

- TREC system in operation since July 2001, while a green label system was already introduced by EnergieNed<sup>1</sup> as early as in 1997.
- Complete opening of the electricity market since July 2004, but the green electricity market (for customers purchasing green electricity) already opened in July 2001.
- There are 2 million customers (these are actually connections or households) of green electricity in the Netherlands.
- The support system for RES-E, the MEP, is a feed-in premium (on top of the market price), which should be distinguished from a feed-in tariff.
- The CHP-GO is going to become tradable by October 2006.

Disclosure of the generation attributes, mandatory in the Netherlands since January 2005, presents a lot of work for the energy suppliers. Most of the calculations are done in January. The fuel mix of Dutch energy suppliers is based on own production mix (mix is known), direct sourcing (mix is known) and purchase of third parties (APX/OTC/import, mix is not known and country average is used). Renewables are explicitly tracked using redeemed GOs. A separate calculation is required for each supplier and for the company as a whole (including foreign supply companies). This information is then sent in the form of a label to all electricity consumers.

There has been very little response on the disclosure information. However, it is used as promotional material for marketing activities, which partly led to new customers of green electricity (switching from grey to green electricity within the same company).

The regulator (DTe) carries out the verification of the green data and calculations and they were satisfied with the outcome in 2005 and 2006.

### **Luxemburg:**

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<sup>1</sup> EnergieNed is the association of Dutch energy companies.

- The industrial grid connected to the Belgium network is fully operated by Sotel Réseau s.e.c.s., subsidiary of Arcelor, whose factories consume about 1/3rd of all industrial consumption in Luxemburg.
- GO are not used.
- RES-E plants (<10MW) and CHP installations (<1500 kW) qualify for support through feed-in tariffs. For that reason, the origin of RES-E and CHP is tracked.
- The remaining domestic production is delivered by long-term contracts and there is no need for GO to track the technology mix of this share.
- There is no disclosure as yet in Luxemburg. Tracking is voluntary.
- A consultation workshop between stakeholders and Öko-Institut has been held with the aim to prepare a basic document for tracking implementation in Luxemburg.
- There will be a large residual mix if disclosure information cannot be obtained for imported energy by explicit tracking mechanisms. Reliable information is therefore only possible in case of complete explicit tracking.
- 1100 MW of pumped storage hydro is delivered directly to the German net and a 400 MW gas plant is connected to the Sotel grid and partly exports to Belgium.

### **Belgium:**

All over Belgium, GO are used for disclosure, while green certificates (GC) are for support. On the one hand, GO are intended to provide the consumer the information about the generation source of his electricity (i.e. disclosure through electricity tracking). On the other hand, the GC system is the support mechanism for renewable producers. In the GC system a quota is imposed on suppliers, and they are fined should they not be able to present the required number of GCs.

- Disclosure (GO):
  - In Belgium/Flanders the main vehicle for tracking renewable electricity is GO. However the GO has the same title as the GC. In order to prevent multiple counting a GO is redeemed as soon as the GC is redeemed, but a GC remains valid regardless of whether its GO is redeemed or not.
  - In Belgium/Wallonia the main vehicle for tracking RES-E will be GO as soon as they are fully implemented. Note however that the GO will be different from the GC. In order to prevent multiple counting of GO and GC, they will be issued together (in case production is eligible for both), although each can be traded on different markets.
- Support (GC):
  - Guaranteed prices for renewable electricity generation support:

(€/MWh)	Belgium	Flanders	Wallonia	Comments
Solar	150	450	65	
Biomass	20	80	up to 130	W: depends on CHP heat usage.
Wind offshore	107	-	-	for the first 216 MW, 90€ thereabove
Wind on-shore	50	80	65	
Hydro	50	95	65	
Tidal & geothermal	20	95	65	

Note: Producers may choose between the regional GO or the Belgian one.

- In Brussels, the number of GCs received is calculated in the same way as in Wallonia for RES-E and as in Flanders for CHP.
- Two final remarks:
  - In Wallonia the plant accreditation (or device registration) is confusingly called certificate of guarantee of origin (CGO) [the law was enacted before the Directive]. To avoid further confusion, the GO are called “labels of guarantee of origin (LGO)”.
  - In Belgium CHP generation is also supported by certificate systems. In Flanders, the CHP certificate is a distinct label (WKC). In Wallonia and Brussels, the same GCs are used for CHP and RES.

#### 4. Evaluation criteria for tracking options

Apart from the five criteria used for evaluating tracking options, information value, accuracy, robustness, feasibility and flexibility, a new criterion was suggested, namely *cost/benefit ratio* and *liquidity*. According to the participants, this certainly needs to be another separate group among the criteria.

Among the stakeholders, the opinion of customers is missing. It is still a question whether customers are at all interested in the complete fuel mix (and not only the share of green). According to the participants, it is important to know what the customers want and how to explain tracking to them.

A big problem at the moment, according to all participants, is the possible multiple counting of green production.

There are more reasons for tracking electricity: a good one is company reliability, where an energy company is able to state where its electricity is coming from based on a sound system.

The green/grey distinction is viewed by energy companies as sufficient for marketing purposes. Not all participants shared that same opinion. Especially regulators believe that it is not sufficient to only make a green/grey distinction to consumers in order to allow them to make a supplier choice.

#### 5. Tracking options

Dutch statistics are based on gross trading figures and not on net trading figures [slide 35]. There is no cherry picking; electricity is traded as one product. The national average without green (only grey) is calculated by an independent consultant (CE), whereas all green is administered via the RE-GO/green certificates.

Energiened does not encourage linking customers to a particular plant as this could lead to discussions about cherry picking.

Having a *European residual mix* within the preferred tracking scenario surprised many of the participants, because this really blurs the statistics, making every company look alike. The level of detail should always be as high as possible,

preferably starting from the company level, and continuing to the national level and only a very small proportion should be assigned via a residual mix at the European level. Moreover, A European residual mix does not correspond with the actual situation, since the European market is not yet integrated. A National residual mix fits better with the actual situation. Maybe, when market integration is further developed, a European residual mix could be used. However, the use of a regional mix (national/European) should not be ahead of market integration.

It is better to ignore the unredeemed part of GO, because legally any other party than the right holder cannot redeem them. In order to be able to retire GOs after one year, there is a need to change the law. Therefore, Option C is legally infeasible under the current set of rules in the EU.

In the Netherlands the current practice of redemption is as follows: *own* GO in April, *sell* in May, *redeem* in June. This is due to the previous REB (energy tax) system, while a yearly redemption could work better.

Mandatory redemption of all explicitly tracked electricity sold is a reasonable requirement for all market participants and it fits in the disclosure directive.

*Open question:*

How is the mix if a country with a lot of green, e.g. Norway, exports a lot of this electricity? What will be the national mix? Suggested is to impose a burden sharing where all countries obtain say 10% extra RES-E, this would mean for instance for Norway to have 109% RES-E and import at least 10% extra RES-E, rather than being a (free-riding) exporter, due to geographical advantages.

Another suggestion was made, namely requiring that the import of generation of attributes (country mix, company mix, GO) match every export of (renewable) attributes (“swap”).

The recommended model (option D) is quite a good one. One flaw is that the rights of the GO right holder cannot be transferred to the residual mix, due to legal rights. Hence, if the right holder for whatever reason decided not to redeem, then this GO cannot be taken away from the market.

There is a remark from a Dutch energy company with respect to recommended option: (p.13) “After the end of a calendar year, market players have a certain period of time for issuing, transferring and redeeming certificates related to *production* in that year”. This does fit with the Belgium method; however, the Netherlands redeems certificates after the months of supply. The green certificates, which are redeemed (and used) for a certain calendar year are based on consumption, and NOT related to production.

A Dutch energy company further remarks that the initiatives of the individual member states suffice the fuel mix purposes and fit with the local regulatory framework. The EU guideline does not impose a harmonized system.

Validity of GO differs from country to country; ideally this should expire after 1 year.

## **6. Cost drivers of tracking systems**

Value of GO is 0.10 - 0.15 €/MWh, while the value of a support green certificate can easily go up to 100 €/MWh.

Cost estimation of disclosure:

- One energy supplier estimates the costs of disclosure for 2 million customers (of which 800,000 green) to about € 0.5 mln, which consists mainly of printing and distribution cost.

Energy companies announced that when analysing costs and benefits of tracking, auditing the accounts for annual report publication has to be included as a major cost item, i.e. auditors are viewed to be expensive.

## **7. Outlook on the upcoming work in the project**

Wietze Lise presented the final steps that have to be done for E-track and told the group that one final consultation workshop is planned for October / November.

The participants announced that they all remain interested in the results of E-track, especially in the next workshop regarding the costs \ benefits of tracking.

More information on the project can be gained from the website:

<http://www.e-track-project.org/>

## **8. Conclusions**

Main issues raised by the participants:

- Energy suppliers experienced that consumers showed little interest in disclosure information provided by energy suppliers, proposals to detail information further should take this into consideration.
- Do we know the customer's opinion? The main reason for carrying out electricity tracking is to provide customers information about sources of power generation.
- The European residual mix is not seen as an improvement in the preferred E-track scenario, every country and every energy company has its own generation sources that can differ substantially from the European residual mix.
- The issue of multiple counting is seen as one of the most important reasons for developing a reliable tracking system for RES-E. And more generally this will apply for all explicitly tracked electricity.
- More attention should be paid to the cost-benefit ratio of the different tracking scenarios.