E-TRACK project

Minutes from the third Consultation Workshop in Germany

21 November 2006, 10:30 – 16:15

Venue: E.ON Representation, Berlin

Participants

- Arndt Börkey (Bundesverband neuer Energieanbieter)
- Franziska Eichler (Umweltbundesamt)
- Oliver Germeroth (ASEW)
- Frank Krummer (EnBW)
- Jens Lück (Bundesnetzagentur)
- Jan Gerrit Otterpohl (Vattenfall Europe)
- Christoph D. Schmidt (Verband der Elektrizitätswirtschaft – VDEW)
- Birgit Schulze (Energiedienst)
- Stefan Ulreich (E.ON Energie)
- Norbert Verweyen (RWE Trading)
- Stefan Zisler (Vattenfall Europe)

Project team members

- Matthias Koch (Büro für Energiewirtschaft)
- Dominik Seebach (Öko-Institut)
- Christof Timpe (Öko-Institut)

Welcome, Introductions and Agenda

Ulreich und Timpe welcome the participants and everyone introduces themselves to the group. Timpe presents the agenda, which is confirmed by the participants.

10:30	Welcome and introduction of new participants	Christof Timpe
	Confirmation of the agenda	
	Minutes from the second consultation workshop on 9.05.2006	
10:45	Overview on the status of the E-TRACK project	Christof Timpe
11:15	Revision of tracking options and their evaluation	Christof Timpe
11:45	Proposal for a European Tracking Standard (Part 1)	Christof Timpe
12:30	Business Lunch	

13:15	Proposal for a European Tracking Standard (Part 2)	Christof Timpe
14:45	Coffee	
15:15	Estimated cost of tracking systems	Dominik Seebach
16:00	Outlook on the upcoming work in the project	Christof Timpe
16:15	Close of the Workshop	

The minutes of the last Consultation Workshop are confirmed by the participants.

Overview on the status of the E-TRACK project

Timpe presents the current status of the project (see file *1-State of project.ppt*). Further questions are discussed as follows:

- On the question about the current status of design and implementation of CHP GoO, Timpe reports that the reference values for the assessment of the efficiency of CHP processes, which required by the Directive, have been agreed but not yet published. The guidelines for calculations on the efficiency of CHP processes and on the share of high-efficient CHP electricity is still under discussion. The Association of Issuing Bodies (AIB) has developed an approach for handling of CHP GoO within the European Energy Certificate System (EECS) which is supported by the EC. The AIB will be able to provide a functional system by spring 2007. In Germany, discussion on implementation of GoO CHP will probably start in January 2007.
- The assessment of implementation of disclosure in Europe as carried out within WP 1 and WP 2 has not been updated systematically and included in the WP reports. This is not part of the E-TRACK work programme. However, recent developments have been discussed on the national consultation workshops. The related presentations and meeting minutes can be downloaded from the project website www.e-track-project.org (section “events”).

Revision of tracking options and their evaluation

Timpe presents the revised and extended tracking options (see file *2-Revised Tracking Options V2a.ppt*). The following issues have been discussed:

- Contract based system (Tracking Option 0, slides 6&7)
    - Participants questioned the feasibility of an internal power exchange mix (slide 6), as this would put a general obligation on traders to provide information to the exchange. Seebach states that the calculation of an internal mix is already carried out in different regions and countries of Europe. Scandinavia is calculating such an internal mix for NordPool, France is assumed to use such a value, and legal regulations in Great Britain ask for use of an internal exchange mix if existing. This issue needs further discussion. Although the contract based system was evaluated by the project team to have a low feasibility, it is current practice in many European countries.

  - The definition of the relevant points in time for tracking (and disclosure) is crucial when considering trade of “futures” on an exchange. Generally the production period is relevant, therefore, attributes can only be assigned ex post to electricity volumes on the exchange. Therefore, this procedure is considered being a (partial) implicit tracking option.
  - Participants assume that OTC trading will adopt the internal exchange mix. Thus, portfolios of the traders and suppliers will tend to conform to each other. (This would require that attributes for the net OTC sales are also reported the exchange and included in the exchange mix.)

- VDEW approach (slides 10&11):
  - Participant report that VDEW will provide UCTE data for use for disclosure in 2006, which is corrected for electricity produced under the German feed-in support scheme (EEG). By now, the fuel mix can not be tracked in more detail than the three current categories, but UCTE is already addressing the task to differentiate their statistics further into more categories. Timpe adds that the Association of Issuing Bodies and UCTE are preparing to calculate a residual mix on national and European levels, but this depends on the availability of consistent information.
  - Participants state that the net trading activity between producers (and not all market participants) is relevant for the first iterations of the tracking approach. Furthermore, the use of GoO for products sold to consumers is regulated in the VDEW guidelines (the last line of slide 10 in the presentation has been corrected accordingly).
  - Concerning the complexity of the system, market participants attending the workshop state that the net balances as mentioned above can be documented on five Excel spreadsheets. These sheets and the records of the VDEW database can be verified by financial auditors if necessary. The disclosure information is calculated in three steps of iteration.

Proposal for a European Tracking Standard (Part 1)

Timpe presents the non-technical aspects of the proposed European Tracking Standard (see file *3-Tracking Standard Non-Technical V1a.ppt*). The following aspects are discussed by the participants:

- The participants agree that consideration of power exchanges should be based on net trading balances of traders, as e.g. the volume of electricity traded at the German exchange equals seven times the total national consumption. They also agree that direct links of attributes with each electricity trading action would result in unnecessary complexity. If a central registry for accounting of attributes is found to be the best solution, it could be operated by VDEW, which already collects and provides data for disclosure.
- The lesson learnt as presented by Timpe “The share of implicit tracking should be minimised“ is questioned by participants. This finding could be misinterpreted in a way which implies that electricity trading over exchanges (which results in the use of implicit tracking if no certificates

are used[1]) should be minimised. Generally, participants consider explicit tracking only advisable, if a supplier expects a certain value by doing so. Timpe states that the respective finding was intended to ask for the use of best available information, in the sense that explicit attribute information should not be lost. (The third bullet point on slide 2 in the presentation has been corrected accordingly).

- The share of the UCTE-mix for disclosure by German suppliers has been assessed by the monitoring report of the Bundesnetzagentur (BNetzA) in relation to the number of suppliers, but has not been weighted by the different volumes of delivered electricity to customers by the suppliers. Therefore no reliable statistical information on this share is available. Workshop participants state that at least for large companies, the UCTE share is not significant.
- Concerning the time restraints for the calculation of an internal residual mix (IRM): Meter readings would be available at an early stage, but information on CO_2 emission is only available after several months. Provision of CO_2 emission data by the DEHSt (national ETS register) only takes place in May for the preceding year. This probably becomes even more complex, when data for all EU25 Member States must be processed. Therefore, participants assume that calculation of an IRM for a calendar year would only be realistic towards the end of the following year. This is in conflict with the interest of consumers that disclosure information should be presented as soon as possible, and with the intention in the EU Directive. The consumption of electricity, which is also necessary for determining the disclosure information, must also be carried out by suppliers within the time frame set for the IRM calculation. This issue should be further addressed by the E-TRACK project.
- One participant assumes that obligatory use of an IRM will hinder development of markets for green electricity. Scandinavian countries for example could try to avoid to export their hydropower attributes if they are forced to use a European IRM for covering domestic consumption. Timpe agrees that a conflict exists between the objectives of development of markets and avoiding of double counting, but in his view accuracy must given the higher priority. Currently, some Scandinavian countries rely on national production mixes for disclosure. This could explain why the price for Scandinavian GoO for hydropower is very low (<0.5 ct/kWh) as no effects result for producers in terms of disclosure in their home countries by exporting these GoO.
- Participants wonder that the E-TRACK Standard proposes national IRMs, whereas exchanges and markets are already developing beyond national borders. Timpe explains that a common European IRM was suggested by the project team during the second round of consultations, but that in most of the workshops a national IRM was preferred. In any case, it is clear that the regional definition of the IRM must be coordinated between the countries involved. The definition should follow the on actual development of power markets, which currently are not fully restricted to national levels but also not fully homogeneous on a European level. This is why the project team suggests national IRM calculations for the time being. In the longer term, it might be necessary that the European Commission pushes Member States towards a more coordinated, European approach.

[1] The use of an exchange mix would be an alternative. However, this must be seen as a partial implicit tracking mechanism, see above.

Proposal for a European Tracking Standard (Part 2)

Koch presents technical aspects of the proposed Tracking Standard, focusing on those aspects which have not yet been addressed in the discussion (see file *4-Tracking Standard Technical-V1a.ppt*). Based on this presentation, the following aspects are discussed:

Explicit Tracking:

- Participants suggest to rely on existing structures like the European Energy Certificate System (EECS), which was developed by the Association of Issuing Bodies and already provides most of the functionalities which are requested by the E-TRACK project. Timpe explains that the proposal of E-TRACK will not be linked directly to EECS. In principle, other systems of similar service and quality could be established. However, this would probably result in considerably higher cost due to new need for system development and capacity building. Participants suggest that this cost aspect should be stressed within the final proposal.

Implicit Tracking:

- Several participants clearly object the statement concerning implicit tracking on slide 19: „(Implicit Tracking) Does not support EU policy objectives“, as EU policy strives for various objectives, and some of them are supported by the use of power exchanges, which might result in implicit tracking (see above). Timpe comments that this statement rather referred to the EU objectives for introducing disclosure. (The fourth main bullet point on this slide has been corrected in order to avoid misunderstandings.)
- The problem that processing of information can take a long time might also apply to explicit tracking.

Governance:

- Participants state that an introduction of formal standards for tracking (e.g. through CEN) would result in a loss of flexibility. This would be unfavourable especially within highly dynamic markets.
- Participants also questioned the practicability of the presented options of implementing a new EU institution or relying on a series of bilateral agreements. This would leave the “Voluntary independent grouping with a code of practice” as the most realistic option.

Questions/Discussion:

- The VDEW database already includes some of the features of a registry. At least for big companies, data verification by independent auditors already take place as this data is included in the company’s financial statement. Timpe adds that in order to comply with the proposed E-TRACK standard, the VDEW database would have to be extended further, including information on generation attributes of traded electricity. Stepwise improvements of the VDEW database could be a way of introducing a tracking system according to the proposed standard.

Estimated cost of tracking systems

Seebach presents the assessment of cost aspects for tracking electricity (see file *5-Cost assessment-V2.ppt*). The following aspects are discussed by the participants:

- Which concrete improvements would be achieved by introducing a European residual mix, and which cost would be associated with such a move? This singular aspect of the standard has not (yet) been assessed alone by the project team. However, in the final stage of the project, examples for stepwise improvements of existing tracking mechanisms might be assessed, including an evaluation of their cost-benefit ratio.
- Participants questioned whether the cost of tracking should really be allocated on a pro-rata basis to all electricity consumption. It could be argued that the cost for explicit tracking should be borne by those customers, who request certain attributes, and other customers should e.g. only bear the cost for the IRM procedure. Only those who benefit from an advanced tracking system should be charged with the related additional cost. Timpe points out that at least the cost of a reliable residual mix should be charged equally to all consumers, because they all receive its results (and disclosure is mandatory).
- As soon as mandatory schemes (such as support mechanisms or target accounting) make use of the tracking results, it would be justified to distribute a larger share of the cost of tracking among all consumers.

Overview of future project work

Timpe presents the future work phases of the E-TRACK project (see file *6-Project Outlook.ppt*).

Feedback of participants

Timpe asks the participants for their view on the E-TRACK consultation process and for further suggestions for improvement.

There is broad agreement amongst the participants that they feel to have been well informed and adequately involved in the work of the project team. Although the final recommendation from the project is still to be developed in the final report, participants feel that their comments and thoughts have been considered to a large extent. The result of the project is expected to be a good basis for real implementation of harmonised tracking systems across Europe, which is acceptable for all parties involved.

Proposals for further improvements of he consultation process include a suggestion to provide more information on the recent developments in other European countries throughout the duration of the project. More extensive participation of consumer organisations would have been very welcomed. Furthermore, the project team is asked for an even clearer wording of some of its statements within the presentations (as indicated above within these minutes).

Timpe thanks the participants and closes the workshop.