

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

## Third French Consultation Workshop (20th December 2006)

### Main findings and statements

#### Participants :

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

#### Meeting agenda:

10.30	Welcome and introduction of new participants Confirmation of the agenda Minutes from the second consultation workshop on 7 <sup>th</sup> June 2006	Diane Lescot
10.45	Overview on the status of the E-TRACK project	DL
11.00	What's new in France, Portugal and Spain? Informal reports from participants on new developments in the context of electricity disclosure, Guarantees of Origin and tracking issues.	all
11.15	Revision of tracking options and their evaluation	Bernard Chabot
11.30	Proposal for a European Tracking Standard (Part 1) Comments and Discussion	DL
12.30	Business Lunch	
13.15	Proposal for a European Tracking Standard (Part 2) Comments and Discussion	DL
14.15	Coffee	
14.30	Continuation of the Discussion	all

15.00	Estimated cost of tracking systems Comments and Discussion	BC
16.00	Outlook on the remaining work in the project Feedback from participants	DL All
16.30	Close of the Workshop	

## **1. Introduction and overview on the status of the E-TRACK project (DL)**

Cf Ppt "1a-State of project"

No further comments than those received by e-mail in August were made about the minutes of the second French consultation Workshop.

Diane Lescot (D.L) quickly reminded the objectives and structure of the project. This workshop was the last of the three national consultations. A final draft of the consultation document will include the results, remarks and recommendations from all national workshops. A final project conference will be held in Brussels on the 9<sup>th</sup> March 2007, to which all consultation participants are kindly invited. After that, project results with last reactions from the closing conference will be disseminated to the targeted actors.

### ***Highlights and recent developments***

E-TRACK progression is followed by an Advisory Committee, which includes major energy stakeholders: ETSO, EURELECTRIC, EFET, European Commission. E-TRACK was presented during a European contractors' meeting (14<sup>th</sup> and 15<sup>th</sup> December Brussels) at the Intelligent Energy Executive Agency. It was noticed that there are very few projects on the subject of green electricity and tracking aspects, so expectations are quite important regarding the results of this project. Questions were asked about the political impact of the E-TRACK findings in the EU. E-TRACK has already supported decision-making by governments in some countries (e.g. disclosure in Sweden). Will E-TRACK aim at providing replacement for national laws? It was answered that contrary to what was foreseen at the start of the project, the idea of describing a tracking system in details would be replaced by the creation of a standard for traceability. This change of orientation was made after finding out that framework conditions and tracking systems already in place in different member states were so varied and political approaches so diverse that it was impossible to recommend one specific tracking system, and hope for all member states to implement it. E-TRACK was deemed to be more efficient in giving a way of combining different tracking systems and avoiding multiple counting of attributes. E-TRACK will provide the elements of a standard that will be able to accommodate different tracking options and this was the subject of the consultation document. In this way, it also respects the subsidiary principle that is very dear to the European Commission.

The question of the implementation of the High Efficiency CHP-GO was raised. DL answered that the European Commission has learned from the implementation of the RES-E GO and that it has a strong will to foster more coherence between the different member states. A stress is put by the Commission on the reliability of the national systems (in order to avoid any double counting) which will be

verified by the Commission when it prepares its report on the implementation of the CHP Directive by the different member states.

## **2. What's new in France, Portugal and Spain**

Cf Ppt "1b-Recent developments"

DL presented the current evolutions in the following countries :

- Spain :
  - As noted during the last workshop, legislation was passed for disclosure.
  - Still no GO legislation, but a project of decree from 23rd Feb 2006. CNE would be in charge of registry, GOs would be redeemable.
  - A proposal for CHP GO was issued on 20th September 06 by the ministry of industry, tourism and trade. CNE would as well be responsible for the registry of CHP GO certificates.
- France :
  - Decree n°2006-1118 for GO has been passed on the 5<sup>th</sup> September 2006 and establishes GO for CHP and RES. Details are given on the contents of the GO, of what are the elements contained in the registry (which is on the RTE website) that are available to the public. Redemption is not mandatory, but is foreseen on a voluntary basis. The decree sets the price of GOs. For the moment the RTE website shows the following sentence : *"No GO has been issued since the decree was passed."*
  - There are still no precise official guidelines for disclosure (only Decree 2004-388 from 30 April 2004, which sets the principles of Disclosure that are a repetition of Directive 54).
- Portugal : BC stated that nothing new was found for this country since last workshop.

## **3. Revised tracking options (BC)**

Cf Ppt : "2- Revised tracking options -V2"

B.C reminded the participants of the 3 options of tracking system that were already analysed (A, B and C). A new evaluation was conducted according to the following criteria: informational value, accuracy, robustness, feasibility, cost, flexibility. The cost criteria had previously been included in the feasibility criteria for the first evaluation and it had been asked in some workshops to make it a criteria on its own. Also, a tracking option 0 was created, which was a pure contract based system. It had been included as it was noticed in some workshops of the second round that as this was really close to the situation of many countries, it would be interesting to have a comparison with the other tracking options.

The difference between option 0 and option A had to be explained in more details. Option A is an ex-post contract tracking. There is no information

attribute in the contract and the buyer has to find the information after the trade. In option 0, the attributes are included in the contract ex ante. A trader noted that even in this case, the contract has often to be adjusted ex-post, because attributes can only be known exactly after generation and delivery ; but in this case, adjustment is less important than in option A.

Then D.L introduced another option (called B') which is composed of the following features:

- G.O is mandatory for green products
- A residual mix is used for electricity of unknown origin (power exchange)
- and the ex-post contract based iteration is used for the remaining part of the trades

This option did not raise a lot of interest. All participants still preferred option B to B'. With B' it is not possible to track another technology than green electricity ex ante. With option B, this is possible. B was seen as the best scenario to move forward to another system in the future.

The participants agreed on the fact that in theory the C option is the most reliable system but the main problem is the implementation cost of such option. Even an evaluation of this cost could be a very difficult task. And one participant noted that option C was the system actually in place in Austria, which made it look more feasible.

*"Since 6 months I have changed my way of thinking about this option. Now I consider that it is interesting, but the real problem is the cost."* (a trader who was not convinced at all by option C in the 2<sup>nd</sup> workshop)

Participants were interested to know about the European Commission's position on these matters. They hoped that some position would be expressed at the closing conference in March.

#### **4. Proposal for a European Tracking Standard (DL)**

Cf Ppt : "2- Tracking standard Part 1"

Cf Ppt : "2- Tracking standard Part 2"

#### ***Lessons learned from the different tracking options***

The main points are:

- Contract tracking and de-linked tracking can be combined, as long as the proper accounting of attributes is ensured.
- Any tracking system should feature explicit and implicit tracking.

The notions of explicit and implicit tracking were explained.

Explicit tracking: tracking with contract or certificates which enable to know the ownership and status of attributes at any point in time.

Implicit tracking: attributes allocation based on statistics or the capacity installed

The specificity of each tracking were exposed and discussed

### **Explicit tracking**

The explicit tracking was explained through the notions of Schemes (ex. Disclosure, support schemes, etc.) and domains.

The relation between certificates and registries were also detailed.

Two points to be corrected or added in the slides :

- Certificates **must** (instead of **can**) be redeemed in order to realise their value. Participants were very firm on the fact that slide 8 should be corrected because it was not clear enough on the fact that redemption is mandatory.
- A certificate can include a RES G.O and a H.E CHP G.O (that is to say 2 attributes in one certificate) (slide 9). There should be an additional mention that when this certificate is sold, it is in the frame of a specific scheme (RES G.O **or** H.E CHP G.O) and not in both.

Concerning the aspects of using certificates, a discussion arose on the question of the connection between the producer and the consumer. Some participants were defending the idea that a connection was necessary, that it was a nonsense for example to tell Icelanders that they would have some fossil origin electricity or some nuclear origin electricity if they joined the market while there is no interconnection. Others brought forward the fact that it was following the same logic as telling inhabitants of French overseas departments that they were consuming 86% of nuclear origin electricity in their mix. The precaution to take here is that non EU participants to the E-TRACK standard have to have the same disclosure obligations than EU countries, for example Switzerland. Then the system can work even with Iceland.

### **Implicit tracking**

In the explanation of how the residual mix is calculated, it was felt that some private systems could be mentioned as well as being other independent reliable tracking systems, such as green labels.

The necessity of the residual mix was quite well understood and the calculation process itself did not raise many comments. The idea of a deadline for the calculation of the residual mix was acceptable for the participants. One market player noted that the deadline should however not be too tight and too close to the end of year n. Indeed many deals related to calendar year n-1 are done in the first half of the year n. Hence the deadline for transfers and redemptions (X+Y in slide 8) should be close to May-June.

### **Governance issues**

In the discussion on the governance model, it appeared that market players did not believe that such a standard could be implemented in the different member states without a coercive framework.

*"When you see the delay in transposing current Directives, and the problems to which this leads, then you can imagine how efficient this implementation would be outside the framework of a directive... When registers and something technical is at stake, then the framework should be binding"*

Therefore the idea of bilateral agreements was unanimously not supported. Independent grouping with a Code of Practice was also perceived as not very binding. The two solutions that would be implemented through legislation were more strongly supported. The Standards Organisation was compared to the CHP commitment process.

A general comment was made by a participant regarding the standard proposed by the E-TRACK team. He was of the opinion that disclosure and target counting should not be linked as they are in the E-TRACK recommendations. Indeed, he referred to the Communication of the Commission in May 2004 which stated that monitoring of progress towards national targets should be based on production of RES-E divided by national consumption of electricity and that Guarantees of origin should be counted into an importing country only after a bilateral agreement has been passed between the two countries. The participant thought that E-TRACK was about disclosure and not about target counting.

*"Member states do as they choose to reach their objectives. Disclosure relates to the market, I am not sure that everything is linked."*

## **5. Estimated cost of tracking issues (BC)**

BC presented the results of the survey which was conducted on cost issues. The list of identified costs did not bring about any comment. Participants were reassured by the reasonable level reached by the estimated costs of the implementation of the tracking standard. The main point of discussion focused on the way to recover the costs. The mutualisation of costs to all consumers was seen as a way to minimise the impact, but maybe not all consumers will deem it fair to pay for a system which will serve only for consumers who are really interested by specific products or by information on suppliers' mix. From the discussion one can infer that the benefits of disclosure have to be really well explained to consumers before making them support the cost of it. Marketing of electricity is not yet a natural functioning for consumers who are culturally used to a market monopoly in this sector and especially interested in the price of a physical energy supply. Another question raised was through which channel should these costs be recovered. Several possibilities were discussed :

- An additional item covered by the CSPE, which takes the form of a tax on each kWh consumed. It already covers the financing of RES, CHP, equalisation of costs for all French consumers. But it could be not flexible enough because the contents of CSPE are decided by law.
- Another solution was to make this cost part of the price paid for grid access. This is more flexible because modifying its contents only requires a decree. Some participants also find it more natural to consider electricity tracking as linked to transportation issues rather than to public services issues.

## **6. Outlook on remaining work in the project and feedback (DL)**

Participants were very interested by the recommendations that could be taken on the part of the Commission regarding the findings of the project. On the national level they were disappointed by the fact that policy makers chose not to assist to

these meetings, and that Portuguese and Spanish market players were present only in the second workshop.

The project gave them a good opportunity to investigate the different routes that disclosure could take in being implemented, and they were satisfied with the possibility to discuss these issues with other market players that were concerned with these topics.