



E-Track First Consultation Workshop (UK and Ireland)

16 May 2005

Introduction

The E-TRACK project team is encouraging participation from a wide array of stakeholders, including industry, government and NGOs, to ensure that the organisations' concerns about electricity tracking are taken into account in the project findings.

Participants included electricity regulators, electricity suppliers and consumer watchdogs, from both the UK and the Republic of Ireland. Sue Harrison of the DTI started the proceedings by stating that she is satisfied that the UK government has transposed the Directive's fuel mix disclosure provisions in a simple and straightforward manner.

Presentations¹

Christiaan Vrolijk gave an introduction to the E-Track project and an into electricity tracking and attributes, touching on ROC, REGO, LEC and disclosure issues.

Jonathan Worth of the DTI presented the current UK regulation for fuel mix disclosure. This regulation is already in force, and suppliers will have to provide disclosure information to consumers from October 2005. Disclosure can be based initially on Generator Declarations, but from 2007 the renewable share must be based on REGOs. General UK environmental information (average CO₂ emissions for coal and gas plant, and nuclear waste from nuclear plant) will be available from the DTI. For spot market trades a residual fuel mix may be used.

John Thorp of the DTI explained the current DTI position with regards to REGOs. He explained that no plans currently exist to actively introduce trading, but that no legal barriers are in place to prevent trading of REGOs for companies wanting to do so. Also, he explained that the DTI believes that REGOs should stay with the electricity contracts in order to guarantee the 'greenness' through REGOs.

John Costyn of Ofgem explained that much had changed over the last few years, with the introduction of ROCs and REGOs, and therefore Ofgem is presently consulting on recommendations for green supply offerings.

Aoife Crowe of CER provided an introduction to electricity tracking and fuel mix disclosure in the Republic of Ireland,. In general, electricity tracking is not as complex an issue as in the UK because (1) the Irish electricity system has a greater reliance on bilateral contracts for electricity trading, (2) the trading of 'green' attributes is explicitly linked to physical electricity flows.

However, the imminent transition to an all-Island (combining the Republic and Northern Ireland) electricity market based on a pool mechanism will certainly change the manner in which electricity is tracked. In terms of support mechanisms for renewable energy, Ireland announced in April 2005 that it would the replace the tender system with a fixed feed-in tariff in order to meet its 2010 renewable energy target of 13.2%.

The regulator is currently investigating the introduction of a Statutory Instrument on fuel mix disclosure by 2006, with consultations to begin in Autumn 2005.

¹ Presentation will be available on the E-Track website: www.e-track-project.org.

Christiaan Vrolijk then briefly outlined the tracking schemes in several other countries, some of which are already covering all electricity through a certificate-based system, but others that still completely lack tracking provisions. He explained that an overview of the situation across Europe will be available later on the E-Track website for interested stakeholders.

Then he introduced the multi-certificate issue, with three separate "sub-GOs" for (1) support, (2) disclosure, and (3) the indicative target.

Following a discussion covering various issues, Mike Sandford of Pure Energy addressed the "myth" that certificate systems are difficult to establish and expensive. He explained that Pure Energi is already running similar schemes, and that he could implement such a system in the UK in a relatively short time. Indeed, once set-up the system could be highly automated and save time. This suggestion is made only to illustrate that the complexities lie in the regulations and not in the technicalities of the systems.

Then he went on to explain the process of designing the tracking system as part of the E-Track project, taking into account systems already in place in the Member States, and requirements from the new regulation.

Discussions

Q: If a UK generator were to export a REGO to another EU member state (MS), could that represent a transfer of contributions towards the respective national indicative targets (under Directive 2001/77/EC) from the exporting to the importing MS?

A: No, [...] holds the view that, while intra-EU trade in REGOs is possible, this will have no impact on national indicative targets. The indicative target is the national generation of RES-E divided by the national consumption of electricity.

Response: The European Commission has clarified its position and stated that trade of REGOs can influence national indicative targets while maintaining the EU umbrella target, if the trade in REGOs is underpinned by bilateral agreements between the exporting and importing MS.

Q: What do electricity customers want, and how can trust between consumers and suppliers be established?

A: UK consumers base their choice of suppliers on two main criteria: trust and cost efficiency. The rationale is different for the two classes of consumers: business and households. To establish trust, consumers would benefit from an objective baseline which allowed them to determine whether a supplier was actually supplying what it said it was. Cost efficiency is an important aspect in green tariffs, in particular for businesses.

Q: Do imports of REGOs from other MS have to be linked to physical electricity flows? Is there mutual recognition of such requirements?

A: There is mutual recognition of the content of REGOs as mandated in the Directive. The key question is whether REGO flows need to follow electricity flows. The Electricity (Fuel Mix Disclosure) Regulations 2005 states the following in Section B Condition 30A, paragraph 9:

"The licensee shall only rely on a guarantee of origin issued outside Great Britain or a generator declaration from a generator outside Great Britain where:

- (a) it holds evidence of supply in Great Britain of the electricity referred to in the guarantee of origin or generator declaration, and
- (b) the guarantee of origin or generator declaration has not been used as evidence of fuel mix outside Great Britain."

This places a heavy burden of proof on licensees (i.e. suppliers).

Response: An additional complication for the import of REGOs is that REGOs are used in some MS as proof of eligibility for public support schemes.

Q: If LECs (Climate Change Levy Exemption Certificates) are linked to REGOs, isn't there an issue of "double selling" once a LEC has been retired/redeemed?

A: Yes, there may be an issue if the LEC is used for business customers and the REGO for the same electricity is used for domestic customers. Redemption of the LEC on behalf of domestic consumers prevents the receipt of the exemption, thus adding a minimum cost to the domestic green consumer equivalent to the exemption. And a further issue arises, namely that LEC balancing is only required to take place a few months after trading has occurred. This is problematic for determining fuel mix disclosure with LECs and REGOs working on different timelines. If an electricity supplier offers a green supply product, there is a disjoint in accounting/energy balancing periods between different certificates: while the required LECs could be sourced from a period in the past, e.g. 1.5 years ago, the associated REGOs have a fixed energy balancing period.

Q: Given the confusion over what represents "green" electricity, might there not be scope and demand for re-introducing a green electricity standard in the UK? The part-EC funded CLEAN-E project aims to support the establishment of a co-ordinated labelling approach for green electricity across the EU.

A: [...] would support and contribute to discussions for implementing a new labelling scheme in the UK.

A: [...] is also interested in being involved in discussions surrounding a new green electricity label for the UK. With verification of the "greenness", demand may increase. Consumers base their decision of a green supplier on i) the existence of independent audits; and ii) the cost efficiency of the supply offering.

A: Any new label must be flexible so as to allow innovation. Without such flexibility, the label will not work.

Q: Is a multi-certificate system acceptable in the UK, or would this lead to confusion and a perception of multiple counting?

A: Basically, the UK already has the three certificate systems in place. First the RO for support and LECs for tax exemption. Secondly, REGOs or Generator Declarations for disclosure. And thirdly, the target can't be exported or imported in the UK's view.

Q: While the REGO registry represents a repository for records of ownership & transfers, it is the trading of REGOs which presents a transparency issue. How transparent is the trading of REGOs?

A: A registry entry provides proof of a "transfer of right" in the case of a cross-border or cross-registry trade. At a given moment, the ownership of these rights is perfectly transparent within a registry system for those authorised (registry operator, regulator, and potentially others). Most registries also track transfers. It is crucial that a REGO is retired in the registry of the exporting entity and re-issued in the registry of the importing registry.

A: For information of how trades have taken place, it is possible to contact brokers or exchanges that carry out these trades.

Response: There is interest in establishing linkages between registries and exchanges where anonymous trades take place. Note that the *trading* of REGOs does not form part of E-TRACK's aims and objectives, whereas the *transfer* of REGOs does.

Q: The UK already has a number of certificate trading systems. Is there a need to introduce further systems and complications?

A: Both REGO and ROC registers are straightforward in design and establishment and could be used as building blocks.

Response: While REGO & ROC registers are both cost-efficient, there are issues which are not straightforward to clarify, such as verification and auditing.

Response 2: Actually, the additional administrative burden of including all plants that are not yet covered would be small. The existing registries cover all RES-E plant, CHP plant, and plant that have applied for co-firing. Together this amounts to at least some 90% of all UK generation plant. A full system would only need to add another 10% (maybe 100 generators) to also record all conventional generation plant.

Response 3: As virtually all plant are covered by the existing system, it can be argued that there is little point in establishing a new certificate system whilst generator declarations can be used to deal with these few additional plants.

Q: What is the situation like in the Republic of Ireland?

A: There are no registries of tradable certificates in Ireland. But the TSO holds all the data, which is possible as the system and number of players is small. Electricity is exclusively traded through bilateral contracts. And electricity tracking is done in a contract-based system and all "greenness" is linked to electricity flows.

However, because of the new all-Island electricity system, the compatibility of certificate registries between Northern Ireland and the Republic is a significant issue in the system design.

An advantage which the Irish electricity sector enjoys is the absence of complex predecessor systems, such as the Renewables Obligation and the Climate Change Levy.

Q: REGOs and ROCs can be revoked which causes some concern in the market. Is anything going to be done about this?

A: Revocation is a major concern across Europe and stifles domestic and cross-border trade. Electricity suppliers would prefer financial penalties or a reduction of REGOs/ROCs issued in the next period rather than any form of revocation because of the regulatory risk associated with the latter option. The issue of revocation is being investigated in the next review.

Q: With separate legislation and registries already in place, differing accreditation criteria and responsible institutions, it would be difficult to establish one umbrella registry. Could there be scope for registries to be separated by either purpose, origin or redemption status?

A: An example would be creating registries for (1) REGOs, (2) ROCs, (3) CHP-GO, (4) fuel mix disclosure purposes, and (5) redeemed certificates.

Response: This is indeed a possible structure. For example: the REGO, CHP-GO and ROC registries stay as they are, with the GO registries being principally non-tradable. A third-party registry could be created which stores tradable certificates including those for generation from non-RES sources for fuel mix disclosure purposes.

The Chairman concluded the roundtable discussion meeting at 17:00, having thanked the attendees for their presence and their valuable inputs.