Disclosure of Information to Final Customers by Suppliers

Consultation paper

Airtricity Response

Introduction

Airtricity welcomes the opportunity to respond to the RA's paper on fuel disclosure in SEM.

As noted by the RA, fuel disclosure is a requirement under the European Directive 2003/54/EC and Airtricity believes it is essential for the promotion of renewable forms of generation, especially in the absence of any renewable obligation scheme for Suppliers. It is also important if we are to move towards a more sustainable energy market. For consumers, fuel disclosure also provides a non-price comparison of Suppliers and enables them to make purchasing decisions that reflect their preferences.

Airtricity believes that fuel disclosure is an extremely important part of the new market but do not believe that the RA's recommendation of basing disclosure on the tracking of financial contracts can deliver.

Member State Disclosure Legislation

It is noted in the consultation paper that DETNI considers suppliers should be required to;

- provide information on the fuel mix via an electricity label with a specific content and design,
- distribute this to their customers, and
- verify the accuracy of this information.

These are three essential ingredients to performing accurate fuel disclosure and should be adopted in a similar way on an all-Island basis.

The decision to leave it up to the discretion of the Supplier whether the electricity label information should be included on the bill or as a separate document should also be adopted on an all-Island basis. European legislation does not prefer one option over the other and the flexibility to allow either would have no impact on communicating the relevant information to customers. This flexibility is important to Suppliers who have established expensive billing systems that require time to specify and incorporate any changes to customers' bills required for compliance with new reporting requirements .

Postulated Tracking Mechanisms

1. Average Pool Fuel Mix

The use of the "Average Fuel Mix" for fuel disclosure purposes in unacceptable for the following reasons;

- It does not allow suppliers to distinguish themselves from other suppliers in regards to their environmental impact.
- It does not allow consumers to make a non-price comparison of suppliers or help them make decisions based on their individual preferences.
- It goes against the spirit of the European Directive for fuel disclosure which was established to encourage suppliers to make best efforts to disclose the source of their energy to customers and create a fully transparent electricity market.
- As mentioned by the RAs it conflicts with the ROC regime in NI.
- The only information it communicates to customers is the State's fuel mix.

Using such a scheme would be going backwards in terms of creating a competitive, transparent market that promotes the use of sustainable energy or indeed any market that allows customers to see how polluting their supplier is. We believe this approach would not deliver the obligations of the Directive.

2. Financial Contracts

Financial contracts are secondary instruments which are entirely separate from the physical electricity market. They are bilateral financial agreements between Parties and are something that a generator can enter into or not enter into as they choose. Financial contracts do not have to be between a supplier and a generator and financial institutions can undertake to provide these contracts based on a speculative assessment of likely pool Prices. A key failing of this approach is that generation is needed to back up a financial contract. If a financial institute were to hold such a contract with a renewable generator the green attribute of the energy would be lost to the Average Pool Fuel Mix which as outlined in the section above provides no useful information to anyone.

This option also requires that Suppliers provide evidence to the RA of financial contracts they hold with generators, such a request is not acceptable as such contracts will be confidential, commercially sensitive and may not be something the supplier may wish to disclose. Such contracts will also be totally untrackable in any meaningful way, as they can be traded split and amalgamated with other contracts numerous times before final settlement. Multiple trading will therefore obscure any proof of the physical origin of the power.

Such an option limits a supplier who wishes to promote a green energy product to generation from plants with which it also holds a CFD. This is unfair and discriminates unreasonably against green suppliers.

3. Guarantees of Origin and Certification of Fuel Types

Airtricity acknowledges the statement by the RA's that Member States are not required to recognise GoOs from other Member States as a contribution to the national quota obligation. However, Airtricity feels that GoOs are the most appropriate way of tracking energy and should be the preferred option for backing up fuel disclosure declarations.

The use of GoOs for fuel disclosure will not require the Government to recognise GoOs for their National Quota Obligation and the use of GoOs for fuel disclosure can be seen as entirely separate from any national targets or proof of such targets. As the RAs state in section 4.1 of their consultation paper,

> *"the requirement to disclosure information regarding fuel mix….is separate and distinct from the compiling of statistics for the purpose of reporting on Renewables targets by Member States"*.

GoOs are simply proof of where the energy has originated and are the ideal mechanism to prove the source of energy supplied to customers. Such a distinction also proves that GoOs from outside Ireland could be recognised, with evidence of supply to customers, by suppliers to support annual fuel disclosure declarations on customer bills. Notwithstanding use of GoOs, there would be no impact on contribution to national targets.

As Simdracs will already have all the metered data from generation in the SEM, Airtricity does not understand why there should be any problematic issue in associating GoOs with this data.

In summary, Airtricity is not asking either the RAs nor the Governments to recognise foreign GoOs for National targets but only to recognise them for fuel disclosure purposes.

Summary of responses to methodology options

The RAs' preferred mechanism for fuel disclosure using CFDs will not be viable for Green energy (or any other kind of energy) which is currently imported across the interconnector, as their will be no potential for CFDs between SEM and BETTA for green power across the interconnector. Restricting the use of the interconnector for access to green energy will restrict competition in the supply market on the island of Ireland. There is currently not enough green energy on the Island to supply the customer base Airtricity already has and limiting our green supply options to domestic green generation would limit our expansion as a green supplier.

Airtricity acknowledges that fuel mix disclosure does not require the use of GoOs but would suggest that this would be the most accurate, consistent and Directive-compatible approach to establishing fuel mix for disclosure purposes. It would work well with the all-Island Pool

market. The use of GoOs is also consistent with the standards of the E-track project which aims to create robust standards for tracking across Europe.

Airtricity requests that the RAs explain why they do not promote the use of Guarantees of Origin for fuel disclosure, when this was clearly the European Commission's intended use for them?

Separating the source attribute from the electricity before it enters the pool means that a party would not lose the underlying information on generation source into the general mix of the Pool. Separating out the source attribute would not affect the liquidity of the electricity market and could possibly create an additional market for green attributes for Suppliers wishing to promote a green tariff.

As the RAs have adopted the UK system for calculating the residual mix of the market Airtricity requests that they also consider the use of GoOs in a similar way to their use in UK, where they;

- use GoOs to back up declarations by suppliers that their generation comes from renewable sources,
- use generator declarations/ self certification for non-Renewables, and
- the calculation as proposed by the RAs for the residual fuel mix.

The RAs state that GoOs are not needed for fuel disclosure but have given no basis for the allegation that these would not be a consistent and robust back up for fuel disclosure. By suggesting an unworkable methodology, based on secondary instruments, as the way to calculate fuel disclosure, the RAs are ignoring the approach suggested by the European Commission and run the risk of disharmony with other member states; particularly by going against the proposed E-track standard.

Airtricity strongly believes that the RAs are being dismissive of the entire concept without properly considering the underlying issues.

Fuel tracking should follow the primary data source by use of GoOs; certainly not the complex proxy monitoring of derivatives (CFDs).

Certification of fuel types

A system of GoOs for Renewables only and self certification/ self declaration of output for other fuel types is used in the UK for fuel disclosure. Airtricity requests the RAs to explain why this would not be the best approach for fuel disclosure in SEM and why, assuming the need for any involvement by the GB regulator, they believe that any involvement by Ofgem would result in excessive cost.

Airtricity is under the impression that OFGEM does not issue GoOs for Northern Irish Wind farms and this requirement falls to OFREG who do not have a GoO registry in place (unlike OFGEM).

The RAs state that the adoption of such a system would require the implementation of a registry which would result in costs to the final customers. The RAs are reminded that the implementation of SEM will also result in costs to final customers. The RAs must consider the issue of fuel disclosure more thoroughly, because customers will want to know what they are buying, need to be provided with accurate information and transparency is a fundamental tenet of the SEM.

Airtricity also requests further information in relation to the RA's statement that option 3 would require legislation to support implementation, when the legislation to issue GoOs is already in place. Airtricity also notes that the Trading and Settlement code for SEM currently has content in it with no detailed legislative backing.

As fuel disclosure is an EU Directive obligation would legislation still be required for a fuel tracking certificate that has no monetary value?

Conclusion

The RAs state that the costs associated with option 3 may be increased because OFGEM is the issuing body for GoOs for Northern Ireland renewable generation. It is Airtricity's understanding that OFREG is the issuing body for Levy Exemption Certificates and GoOs and OFGEM is only the issuing body for NIROCs. Airtricity believes this argument against option 3 is tenuous and is merely there to provide an excuse to reject the option.

The RAs also state that there is no legal provision for certification in Ireland. Airtricity requests that the RAs elaborate on this statement as it is our understanding that the legislation for GoOs is, in fact, in place in Ireland and that option 3 could be based on GoOs for renewable generation and self certification for other generation.

The use of a high-standard European tracking system will help towards a better functioning electricity market, where customers can choose from what sources their electricity is generated. If a weak system, such as that proposed by the RAs, is implemented it will undermine the internal market for Green energy for consumers.

Airtricity believes that a high standard tracking system is essential to creating customer demand for a more sustainable energy market and to comply with the RAs' obligation to promote renewable energy.

Airtricity agrees with the RAs' suggested approach for the disclosure of environmental information.