

CEER

Council of European
Energy Regulators



Public Hearing

Draft advice on green electricity

Fostering energy markets,
empowering **consumers**.

Vera Gusenbauer
Brussels, 7 October 2014

Content

Background and process

Structure and Content of the Advice

Recommendations

Next steps



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Background and process

- **CEER WP 2013**
 - ▶ Stakeholders expressed need to deal with topics such as disclosure

- **Process**
 - ▶ Start in 2013
 - ▶ Close cooperation with stakeholders
 - Ws, Public Consultation (PC), Public Hearing (PH)
 - ▶ Inclusion of comments of PC

 - ▶ → Presentation of new draft version of the Advice, incorporating comments from the PC



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Structure and content

- Changes to the structure and the content after PC
- Intention to make Advice more concise
 - ▶ Shortening the body of the Advice by shifting Legal Framework and main initiatives and stakeholders to the annex
 - ▶ Questions changed into draft recommendations (no final recommendations!)
- Structure
 - ▶ Background information – why do we need an Advice
 - ▶ Introduction into disclosure system – need for an efficient, reliable and transparent disclosure system
 - ▶ Recommendations
 - Green marketing
 - Importance of access to adequate and reliable information for consumers
 - Pre-contractual phase vs. post-contractual phase
 - Development and improvement of existing disclosure systems and its main instrument – the Guarantee of Origin (GO)
 - Disclosure vs. Support Schemes
 - “Green” electricity labels
 - ▶ Annex – Legal Framework and main stakeholders, etc.

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Introduction – why a CEER Advice on Green Electricity?

- Customers are entitled to reliable and relevant information on the source of their electricity
 - ▶ Increasing interest and awareness of consumers on electricity and electricity of renewables sources (RES)
 - Price no longer the only decision criteria
 - ▶ Increase of green electricity marketing
 - ▶ Significant growth in renewables due to developments at policy level (20/20/20 goals, RES Directive, etc.)
 - ▶ Knowledge of customers is rather low on issues related to disclosure
 - Three categories of customers
- CEER stepping up its effort and is putting costumers at center of its work
- Advice from a **customer perspective**
- Recommendations to be considered in the context of national and European electricity retail market circumstances
 - ▶ Flexibility regarding the implementation of recommendations

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Recommendation 1

Improvement of marketing terminology that is used to inform the customer on electricity offers

- ▶ Green labels as new marketing strategy
- ▶ Subjective and not-measurable attributes
- ▶ National legal definitions or regulations in place in several MSs
- ▶ Absence of a EU-wide legal definition of „green electricity“
 - Use of „electricity based on renewable sources“ or „electricity originated from renewable sources“

→ Further improvement is needed concerning the terminology

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Recommendation 2

Price comparison tools to provide customers with an overview of electricity products

- Consistent information on origins of electricity in price comparison tools
 - ▶ Opportunity for consumers to choose their own electricity supplier and product
 - ▶ Existence of a large and complex variety of information
- Price Comparison Tools (PCTs) to provide a comprehensive display of available offers
 - ▶ Clear indication of whether or not the electricity contract guarantees RES
 - ▶ Information on the fuel mix of potential supplier
 - ▶ Ensure neutrality
 - ▶ CEER Guidelines of Good Practices on Price Comparison Tools

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Recommendation 3

Publication of an annual disclosure report by NRAs as a best practice example

- ▶ Enhances customer's knowledge and awareness
- ▶ Increases transparency
- ▶ Contains results from monitoring activities of disclosure of each supplier
- ▶ Puts pressure on companies to comply with disclosure requirements
- ▶ Positive experience

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Recommendation 4

National regulatory authority (NRA, or other competent body) to develop a harmonised format on how information concerning the origin of electricity is displayed

- ▶ Post contractual phase
- ▶ High amount of information available → risk of creating confusion
- ▶ Bill as a main information tool for consumers → minimum standards on how information is displayed to guarantee comprehensibility (on a national level)
 - Information should be neutral
- ▶ Minimum standards should allow flexibility for companies to individualize their bills

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Recommendation 5

Provision of relevant information for customers through two levels

- ▶ Customers as a inhomogeneous group
- ▶ Two levels of information to cover different interests of customers
 - Mandatory level (minimum data required by Directives)
 - Voluntary level (more detailed information: geographic origin, specific renewable energy sources, product mix, etc.)
 - Displayed to consumer clearly separated from mandatory disclosure statement
 - Publication on website
 - Reference to this additional information on the annual statement

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Recommendation 6

Information on the electricity bill vs. the website

- ▶ Supplier mix as part of the disclosure statement
- ▶ Information on product mix often provided for customers with renewable electricity contracts
 - Risk of double counting within one company
 - Additional information apart from disclosure statement
 - Available on suppliers' website

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Recommendation 7

GOs as a common and reliable basis for all disclosure systems

- ▶ GOs as the only tracking instrument with a clear legal basis at European level
- ▶ GOs as the main instrument for disclosure systems
 - Other tracking mechanisms should no longer be accepted
 - → GOs as the only permissible common basis for all disclosure systems
 - CEN/CENEEC standard for electricity GOs
 - Recommendations by RE-DISS I on GOs
- ▶ Criteria that GOs and disclosure should fulfil
 - CEN/CENELEC, RE-DISS I recommendations as basis
- ▶ Residual Mix as the disclosure instrument for electricity of unknown origin

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Recommendation 8

Harmonisation of the existing disclosure systems at European level

- ▶ voluntary cooperation and spontaneous harmonization amongst MS
- ▶ integration of non-harmonised national disclosure systems into the European market to be very costly

- ▶ Disclosure as an abstract topic
- ▶ Customers need to trust in disclosure
- ▶ Access to information on the functioning of disclosure necessary for consumers showing interest in this topic

- Further harmonisation of existing disclosure system on European level is necessary
- adoption of recommendations by RE-DISS I

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Recommendation 9

Mandatory use of RES-GOs for renewable energy contracts

- ▶ RES Directive foresees the right of a producer of electricity from renewable sources to request the issuing of a GO → voluntary issuing
- ▶ Mandatory issuing of GOs for RES (irrespective of support schemes) would
 - Strengthen the disclosure system
 - Make the disclosure system more reliable and transparent
 - Be a straightforward means to safeguard proper accounting
- ▶ GO system as the most cost effective way of tracking electricity → cost efficiency to be ensured
 - Mandating the use of GOs for suppliers' products (demand side)

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Recommendation 10

Extension of GOs to all sources of electricity

- ▶ Would make the basis for fuel mix disclosure system more consistent and transparent
- ▶ Would simplify the disclosure and residual-mix calculation
- ▶ Would minimize the risk of double counting
- ▶ Would avoid the existence of different tracking mechanisms
- ▶ Would create a more transparent disclosure system safer against fraud
- ▶ Would raise awareness of customers (as experience has shown)

- ▶ Implementation to take place in a cost efficient manner
- ▶ Short term: introduction on a voluntary basis

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Recommendation 11

Integration of electricity markets at European level through trading of GOs

- ▶ National systems no longer effective solution due to growing cross-border trade
- ▶ GOs traded over-the-counter in a nontransparent manner
- ▶ Introduction of market platforms
- ▶ Continuation of development the European RES-GO market
 - Increase of transparency and competition

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Recommendation 12

Clear separation of disclosure and RES support schemes when providing information to customers

- ▶ GO as the instrument for disclosure
- ▶ Feed-in tariffs, investment support, etc. as instruments for RES support
→ two separate issues with their own instruments

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Recommendation 13

Recognition of all GOs for disclosure purposes – clear separation of disclosure and RES support schemes

- ▶ RES-Directive: MS can opt not to issue GOs for electricity that benefit from RES subsidies.
 - ▶ RES-support schemes and disclosure to be seen as separate issues
- All GOs to be recognised for disclosure purposes (GOs from supported and not-supported electricity)
- Purpose of RES-GO to guarantee renewable source of the electricity produced

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Recommendation 14

Green electricity labels – Use of GOs as the unique tracking instrument and basis for “green” labels

- ▶ Introduction of renewable electricity labels in the market due to increased awareness of customers
- ▶ Nontransparent assessment criteria of labels
- ▶ Labels of uneven quality

- ▶ GO as the basis for labels → enhances credibility and trustworthiness of labels
- ▶ Mandatory use of GOs as unique tracking mechanism

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Recommendation 15

Green electricity labels and additionality - implementation alongside the GO

- ▶ Incorporating additionality as the added value of labels
- ▶ Solution for more demanding customers
- ▶ Labels not to undermine the reliability and validity of GOs

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Next steps

- Finalization of the Advice by the end of 2014
 - ▶ Incorporating comments received during PH
 - ▶ Approval of General Assembly
- Further steps
 - ▶ If the Advice is picked up and discussed by stakeholders, energy sector and policy makers → new impulse for debate → lead to a better framework for green electricity?
 - ▶ Continuation of CEER's work on this issue beyond the Advice?

Thank you for your attention!

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Why do we need an efficient disclosure system

- Customers to be able to choose energy supplier and between different energy products
 - ▶ Access to reliable information as a prerequisite to empower customers
- RES Directive 2009/28/EC
 - ▶ RES-GO
 - ▶ Implementation has lead to development of different systems across Europe
- Efforts to harmonize disclosure system among MSs
- National solutions can be reliable but may be costly
 - harmonized solution is efficient and therefore, preferable

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