

## What full disclosure means and why it is important

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**To:** RECS International members  
**From:** RECS International secretariat  
**Subject:** Full disclosure

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### Introduction

An increasing number of European countries are implementing full disclosure regulations, but the term 'full disclosure' can mean different things to different stakeholders. The term can apply to different parts of the market and rules on its implementation can vary between countries. This information document will set out the basic principle of full disclosure, the different possible types of full disclosure, and RECS International's view on full disclosure best practice. Clarifying important definitions such as full disclosure should contribute to the development and maintenance of a well-functioning GO market that supports end-users who want to specify where their electricity comes from.

### What is full disclosure?

GO market players know that energy attributes can only reliably be claimed if they are purchased through a robust Energy Attribute Certificate (EAC) system. The EU's GO system is mainly used to prove the use of renewable electricity since end-users that made the effort to choose the origin of their electricity would generally do so to get renewables. However, the use of the GO system is not limited to renewables and can document the use of any type of electricity including non-renewables. Given that consumers are unlikely to want to show that their electricity was generated by polluting energy sources, just having the possibility to use GOs for all energy sources does not count as establishing a full disclosure system. Only when it is mandatory for market participants to prove the origin of all their electricity consumption through the cancellation of GOs is a full disclosure system instituted. This is currently (April 2020) only the case in Austria, Switzerland and the Netherlands.

### Types of full disclosure

Full disclosure can be applied to either the production side or the consumption side of electricity markets.

#### Full production disclosure (FPD)

Full production disclosure means that every producer must receive a certificate for every MWh of power they put on the grid, regardless of the generation technology used. Such FPD systems are currently operating in Austria and Switzerland. Just the allowance of this practice by national IBs cannot be called a full production disclosure. As an example, 95% of all generation in Sweden is registered but because this is done so voluntarily, one cannot speak of a FPD system in Sweden. Having a FPD does not force end-users to prove the origin of their electricity consumption, but it simply means that every MWh is certified without specifying what must happen with that certificate. In theory, the certificate could be issued and expire 12 months later resulting in its underlying attributes flowing back in the residual mix<sup>1</sup>.

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<sup>1</sup> Residual mix: *Set of attributes for use in electricity disclosure, which has been determined based on the attributes of all electricity generation in one or several disclosure domains and corrected by all attributes which have already been claimed by cancelling Guarantees of Origin certificates.*

### Full consumption disclosure (FCD)

Full consumption disclosure means that a certificate must be cancelled for every MWh consumed and, therefore, no claims can be based on the residual mix. With all end users having to prove the origin of the power they use there is complete transparency on electricity consumption and a level playing field for those using renewable or non-renewable electricity since every MWh (renewable or not) must be claimed through the exact same system. Within an FCD-system, different market participants can be responsible for cancelling energy attribute certificates. For example, consumers can mandate suppliers to cancel certificates on their behalf. See the paragraphs 'full supplier disclosure' and 'RECS International's view on full disclosure' for a definition of a "supplier" and for more information regarding this responsibility of cancelling energy attribute certificates.

### Full supplier disclosure (FSD)

RECS International believes that full supplier disclosure (FSD) should be seen as a sub-form of full consumption disclosure (FCD). Under FSD, suppliers would be required to cancel GOs for any proportion of any of their end-users' power use, as requested by those end-users. FSD-systems would require a clear definition of electricity suppliers. RECS International provides such a definition as being an entity who supplies either power and/or GOs. This is different from the FSP as used in Austria where only suppliers of power can cancel GOs in the national registry and suppliers of GOs are limited to trading them.

RECS International promotes the term supplier mandate (a supplier being an entity who supplies either power and/or GOs) rather than supplier disclosure to ensure that all power consumption, including power being purchased directly from a producer, would fall under full disclosure regulations. The following decision tree sets out who is responsible for cancelling GOs in an FSD-system:

1) Do you have a supplier of electrical power?

Yes → Q2

No → Q3

2) Do you wish to let them purchase and cancel GOs on behalf of yourself?

Yes → supplier electrical power

No → Q3

3) Do you wish to have a third party (supplier of GOs) purchase and cancel GOs on behalf of yourself?

Yes → Trader / Supplier of GOs

No → End-user, yourself

### RECS International's view on full disclosure

RECS International strongly supports the use of full disclosure regulations because it requires all power consumers to prove the origin of all of the power they consume – ensuring a level playing field between renewable and non-renewable electricity sources. Currently, end-users willing to consume renewable electricity must go through an official procedure while consumers of non-renewables face no such requirements when consuming the residual mix. We believe if all end-users have to actively purchase energy attributes and prove the origin of their electricity consumption, end-users will be more aware of where their electricity comes from – encouraging them to buy renewables.

RECS International advocates for the implementation of a full consumption disclosure system (FCD-system), supported by the possibility for a supplier mandate for those end-users who want to mandate their supplier (an entity that supplies either power and/or GOs) to cancel certificates on their behalf. A full production

disclosure system (FPD-system) can be seen as a prerequisite for a full consumption disclosure system (FCD-system), in order to have the national GO's ready for the relevant FCD-provisions in the respective country.

Full consumption disclosure (FCD) is preferred over full supplier disclosure (FSD) as a means of ensuring that all electricity consumption is disclosed. However, it would be highly inefficient to have every end-user purchase and cancel their own certificates hence we believe the mandate should be at the supplier level (an entity that supplies either power and/or GOs). This type of full disclosure would ensure that all electricity consumption falls under the full disclosure regulations and maintains the core principle of the GO market of having an open and competitive market in which every end-user can purchase the product they choose. This core principle cannot be maintained if the process of cancelling certificates were to be limited to suppliers who provide power which can not, therefore, be considered best practice.