

## Guidelines for Supplying Companies

Follow-up to RE-DISS Advisory Group meeting June, 26 2014

**To:** RE-DISS Group // Attn: Dominik Seebach  
**From:** RECS International Secretariat  
**Subject:** Proposal by RECS International for Electricity Supply Company Disclosure Guidelines

### Why are guidelines needed?

Guidelines are needed to improve transparency to the electricity end-consumer. While primarily a concern for small and medium size consumers who purchase 'bundled'<sup>1</sup> electricity products from their electricity supplier, large consumers will also benefit from clear, transparent information about the product they are receiving. These large consumers in particular will better understand if the electricity product they are receiving has any cancelled GOs contained in the product thus limiting the chance of cancelling two GO certificates for a single unit of electricity consumption. However, the most important reason for clear guidelines is that supply companies, without clear product disclosure guidelines, could unknowingly double use the attributes contained within single cancelled GOs. Current practices by many supply companies vary significantly and the opportunity for RE-DISS to provide voluntary guidelines could provide a movement towards supplier product standardization.

### Possible type of electricity products

In essence only three different types of electricity products are possible:

1. Tracked electricity products – whose delivery is backed entirely by cancelled GOs
2. Untracked electricity products – whose delivery is based upon a residual mix<sup>2</sup>
3. A combination product – whose delivery is only partially backed by cancelled GOs and partly the residual mix

### Information to consumers

For all electricity products basic information must be given to the consumer, including: The fuel-mix, the CO<sub>2</sub> intensity (g CO<sub>2</sub>/kWh) and nuclear waste (µg RW/kWh).

*Suppliers are free to develop products:* In order to best serve their clients, suppliers are free to develop any number of individual and/or differentiated products. Only with the tracked electricity products can the consumer be told any information beyond the fuel-mix, CO<sub>2</sub> intensity and/or nuclear waste. Information related to, but not limited to the country of origin, specific production station(s) used to produce the electricity, or information relating to the age of the production station are only available via tracked electricity products.

*Claims must be auditable and verifiable:* Generally all information delivered to the consumer, including advertisements and general public communications, must be auditable and verifiable by third-parties (auditors/regulators). Information in tracked products are verified via the cancellation of GO-certificates

<sup>1</sup> Bundled refers to the delivery of a tracked electricity product. This is an electricity product where the supplier has cancelled GOs specifically for the physical electricity delivery they are making. In this way the attributes contained in the GOs are delivered to the individual electricity consumer using the electricity and not the supply company itself.

<sup>2</sup> Residual mix should also be known as a corrected production mix

linked to individual products. Information for untracked products will use RE-DISS, or national, residual mix calculations as the factual basis on which the products can be audited. Combination products use both the residual mix calculations and the cancelled GO information (based upon the volumes available) as the basis upon which information can be audited.

## Discussion

In practice the situation may not be as simple as presented above. In some countries other tracking mechanisms than the GO are allowed and the combination product, if chosen by the supply companies, must be carefully created in order to correctly allocated attributes in the correct consumption year.

### a. Other tracking mechanism

The most common other tracking mechanisms is 'ownership' and PPA's. In theory it is possible for these mechanisms to provide the same type of information to consumers as the GO. Problems arise in the lack of standardization in this information. Additionally there is a concern that these types of tracking mechanisms may be used in lieu of an available GO which could allow for the double attribute transfer from the same MWh of electricity production.

Another significant issue with non-GO systems is the ability to be accounted and verified by third-parties. This is why non-GO tracking systems represent a lower quality of information transfer to the consumer. The cost to use the GO system<sup>3</sup> should be recovered in the price of the tracked or partially tracked product. Suppliers can avoid the additional costs of the GO system by choosing not to make use of the system and only deliver non-tracked products.

It should be noted that in many European countries the GO system is already a requirement for tracked products from renewable origin. This is not the case in most countries for tracked products with a non-renewable or fossil-based origin.

### b. Combination products

Supply companies may offer a myriad of different products in the tracked product and combination product groupings. Obviously a non-tracked product may only be one type of product as there is only one national residual mix calculation and no way, without the cancellation of a GO (making it a combination product) to differentiate from this national residual mix.

Difficulties can arise from the cancellation of GOs for two different products due to their intended year of use:

- A tracked electricity product delivered to the consumer in year X must be based upon cancelled GOs in year X<sup>4</sup>.
- An untracked electricity product, based upon the residual mix, will still deliver the electricity product in year X but this is based upon the known residual mix calculation of the previous year ( year X-1)
- Problems arise with the creation of a combination electricity product. The electricity deliveries that happen in year X will be partially based upon the known GO cancellations and partially based upon the known fuel-mix of the residual mix (year X-1). The known GO cancellations refer to cancelled GOs in year X-1 that change the individual suppliers delivery mix for the next year. These cancelled GOs

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<sup>3</sup> Fees levied on the producer, supplier or GO trader and not necessarily the market price of the Guarantee of Origin

<sup>4</sup> *Note:* The cancellation year must not be confused with the vintage year, or the year in which the GO was produced/issued

cannot have been used for any electricity product previously and were cancelled with the intention to change the supplier's delivery mix in the following year.

**c. The problem**

The year of cancellation is extremely important in the creation of individual supplier electricity products. For tracked electricity products supplied in year X the GOs related to the electricity delivery must also be canceled in year X. For combined products however the GOs must be cancelled in the previous year (year X-1). The possibility to use a single GO for two products is a problem that must be addressed and prevented by supply companies. It is the responsibility of the supply company to prove the single use of certificates. This is easily done by separating GO cancellations in different accounts based upon products.

The definition of 'previous year' is not discussed in this paper. EU regulations speak about 'previous year' and not about the 'previous calendar year'. It is the proposal of RECS International to base the previous year on calendar years in order to create more transparency. It must also be acknowledged that implementing this in all countries, without EU guidance, is extremely difficult.

**d. New trends – direct renewable ownership**

RECS International has observed some supplying companies informing their consumers about the portion of electricity that they have produced themselves. This is an attempt to show the company is not purchasing GOs from other companies and selling them to their own consumers. The only way to properly address this issue is to include plant ownership information on the Guarantee of Origin as this allows the information to be audited and verified by an external third-party auditor or regulator. If the information is available then it is the choice of a consumer to consume this particular type of renewable electricity product or not. It is the proposal of RECS International that if a supply company wishes to make claims of 'direct GO ownership' or 'delivery of own GO creation' that they create an ICS to prove their own GO ownership with supervision of an external third-party auditor.

**e. Where does this leads us to?**

It is the belief of RECS International that clear and transparent guidelines will improve the communication of electricity supply companies to their consumers. We believe that some basic principles for these guidelines are clear:

- The supplier should be required to make an overview of all the products they offer to consumers so that the consumer is presented with a clear and transparent choice in products. This will stop consumers from being unaware of the product they are receiving (and consequently receiving a product they do not expect).
- Each product must be clearly defined with clear and informative information about the fuel-mix, CO<sub>2</sub> emissions and nuclear waste and that all products except entirely tracked products cannot make any additional claims.
- If additional information, beyond the basic disclosure information, is given or communicated in anyway to the consumer then it must be fully-tracked based upon the GO certificate. Additional information includes but is not limited to:
  - The location of the electricity production
  - Age of the production station
  - Type of electricity generation
  - Or other distinguishing feature that would need to be audited and verified by a third-party auditor.