

**Consultation on
Supervisory Framework for Guarantees of Origin – CER/11/139**

26 August 2011

Summary:

Bord Gais Energy welcomes this consultation paper. A framework for the efficient transfer of GOs is needed in order to give formal recognition to market participants who have bilaterally contracted for “green” energy. This paper is in the main, well thought out and largely avoids inefficient means of implementation, while also leaving open the possibility of review in some key areas. Bord Gais Energy in particular welcomes the approach towards REFIT/AER projects and differentiation made between these developments and purely merchant Renewables. In addition, we welcome the introduction of cross border transfers in a European context. A mechanism which recognises the renewable purchases of Suppliers in other jurisdictions is needed.

2.3 Administrative Body:

Bord Gais Energy welcomes both the initial approach proposed for cost recovery and SEMO’s operation of the process. We also believe that any future review which may determine that the charging of fees is necessary, should be accompanied by a competitive tender (where SEMO would be allowed tender on the same basis as other qualifying interested parties) before any such charging methodology be adopted.

2.5 Issue, Transfer & Cancellation:

Respondents views were sought on the issue of ensuring a GO can only be used by it’s beneficial owner i.e. attempting to making the GO fraud resistant. At the outset it must be said that it is difficult to devise any process that could be signed-off as fraud resistant and we can only make some suggestions that would strengthen the process. We welcome the suggestion of authorised/nominated persons. This mitigates fraudulent behaviour by individuals. However, it does not address the issue of fraudulent behaviour by organisations. At a high level we would see the following principles as being assistance:

- 1) Ensuring that the beneficial owner of the GO is the only party that has the right to derive value from that GO
- 2) Once that value has been derived (i.e. the MWhs associated with the GO have been used), it can only be counted once, whether it be in this jurisdiction or elsewhere.

In order to assist with this process, we believe the information sought by SEMO should be supplemented by the following in order to highlight potential errors of fraud in the tracking process:

- a) Confirmation from the Generator of their contractual status in respect of production over the period of the GO i.e.
 - i. Entire output is contracted via a PPA,
 - ii. Part output contracted by PPA and balance merchant or
 - iii. Entire output is merchant e.g. sold into the SEM as a Variable Price Taker without CfD.
- b) In the instances of i) & ii) above, confirmation from both generator and Supplier as to who is the beneficial owner of the GOs. If both have an interest, the percentage breakdown should be provided. If there is no contractual relationship (or agreement) in respect of beneficial interest, the generator should receive the GO.
- c) In the case of i) & ii) where the generator and supplier are the same corporate entity or have a common ownership such confirmation should not be required.
- d) In the case of iii), the generator will be the sole beneficial owner of the GO. No Supplier input should be needed.

In making the above points we acknowledge that section 2.5.3 states that “*Any commercial arrangement that may exist between the two parties will not be examined by SEMO or in any way affect the transfer*”. Nonetheless, we believe the suggested information above would give good pointers on “where to start” in respect of future auditing of the scheme etc.

In short, participants should be obliged to confirm that they were the beneficial owner (end user) of the GO at the point of application. We believe this can only serve to promote responsible behaviour by all Market Participants.

2.5.1 Requesting a Guarantee of Origin

A generator can request a GO but in all cases, a Supplier will be the user. A generator can register/apply for the GO but does appear to be compelled to do so under 2.5.1. This could potentially mean that GO’s entitlements may not be applied for e.g. A PPA with a Supplier may state that the benefit of any GO’s received by the Generator are transferred to the Supplier but may not oblige the Generator to apply. The generator may not apply if there is no direct benefit to them from applying. We believe that all

Renewable Generators should be compelled to apply for all GO entitlements (or nominate an agent in respect of their application e.g. their Supplier). This should ensure that all appropriate sites are brought into the system.

2.5.4 Cancellation

We believe that the second (or alternative) option, whereby the GO would remain valid for another 12 month be adopted. This option is preferable because it allows additional time in order to make best use of the GO or provide for time to allow Market Participants solve a bilateral dispute. It is better to provide this time if possible, rather than allocate the GO to the Residual Mix.

In keeping with above, we believe the GO should be valid in respect of the disclosure period in which it was active rather than when it was first generated.

2.6 Reconciliation

We believe that this is essential and agree with the proposal.