



Commission for Energy Regulation

An Coimisiún um Rialáil Fuinnimh

Regulation of Green Source Products in the Electricity Retail Market

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Abstract

This paper sets out the CER's decision with regard to the regulation of green source products in the electricity retail market. The decision follows a consultation on the matter (Regulation of Green Source Products in the Electricity Retail Market, Consultation Paper - [CER/14/740](#)). The decision sees a regulatory approach to green source products. With this decision, any supplier offering green source products must go through a verification process to ascertain that they have sufficient green attributes to cover their sales of green source products. This verification process will be provided by the SEMO. The CER will publish a report on the outcome of the verification process, including such information as the fuel mix of non green source product customers and any shortfall in GOs & REGOs (data to be published on an individual supplier basis). Suppliers offering green source products will be required to allocate PSO supported renewable generation evenly amongst their customers – ie all a supplier's customers will receive the same % green associated with PSO renewable generation. Suppliers, providing green source products, will have to provide additional information on customers' specific fuel mix. This will be done through the supplier's website and telephone lines and, where requested, in hard copy. Suppliers, providing green source products, will have to indicate the availability of this information through standardised text on their bills. A standard template must be followed when presenting this additional information. The CER will continue to monitor suppliers' compliance with the Supplier Handbook.

Target Audience:

Electricity Suppliers, Electricity Customers, Renewable Generators, Guarantees of Origin Scheme Participants.

Related Documents:

- CER; Supervisory Framework for Administration of Guarantees of Origin, Decision Paper – [CER/11/824](#)
- SEM; Fuel Mix Disclosure in the Electricity Market: Calculation Methodology, Decision Paper – [SEM/11/095](#)
- CER; Electricity and Natural Gas Supplier Handbook - [CER/12/081](#)
- CER; Customer Protection in the Deregulated Electricity Market, Decision Paper - [CER/11/057](#)
- CER; Regulation of Green Source Products in the Electricity Retail Market, Consultation Paper - [CER/14/740](#)

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Executive Summary

In recent years, an increasing number of green source products have become available in the Irish electricity retail market. These products generally tend to take on two forms; either providing for investment in environmentally beneficial schemes (eg investment in a specific technology or carbon offsets) or guaranteeing that the customer's electricity is sourced from renewable generation. The CER, in September of last year, published a consultation paper for green source products where the supplier is guaranteeing that the customer's electricity is sourced from renewable generation (see CER/14/470). Note that all subsequent references in this document to green source products refer to this type and that neither the consultation nor this decision paper, in any way, define the nature of what a green source product is nor certify that a supplier meets a particular standard.

Validating Green Source Products

The consultation paper proposed a verification process for green source products, which would be provided to suppliers by the SEMO. The CER sought comments on the proposed process and whether suppliers should be required to use it or not – in other words, would its use be voluntary or mandatory.

At the heart of the proposals presented in the consultation paper is ensuring that customers are presented with information in relation to green source products that is reliable, accurate and easy to understand. Armed with this information, the customer can easily compare products and make an informed decision as to the suppliers and products that they choose. It will also strengthen customer confidence in the products being offered and in doing such further underpin the development of the market for green source products. The CER notes that the Supplier Handbook already contains specific rules to ensure the accuracy etc of information provided to the customer, including;

taking “all reasonable steps to ensure its marketing material is easy to understand, accurate, specifies clearly the product being marketed and the period it cover”.

The CER also notes that the fuel mix decision requires suppliers to explain to customers the fuel mix of its products. There are, however, no specific details as to how this should be done or how the accuracy of the fuel mix of green source products can be confirmed for the customer (eg verifying that the product is in fact 100 % green). The CER considers that an independent verification process would further strengthen customer confidence in green source products and a single verification process, to be used by all suppliers, would make it easier for customers to understand and the process more customer friendly – in other words it would avoid customers having to try and comprehend (and likely question the relative accuracy of) different verification approaches. The CER considers that such an independent verification process, which must be used by all suppliers and which is

clearly defined, would also provide a greater level of transparency to customers and the CER. This added transparency will allow the CER to publish, each year, clear and simple information as to suppliers' green source product offerings. This information will show, *inter alia*, whether suppliers have sufficient green attributes to cover the green source products that have sold (with any shortfall being highlighted). Such a report published by the independent regulator should assist in further underpinning confidence in the market that appropriate oversight of suppliers' sales claims are in place. Such additional reporting should also be useful for customers to better understand the market and suppliers' sales claims. As such, the CER considers it appropriate that a regulatory approach be adopted. The CER considers that the confidence that this will bring will continue to allow competition and innovation to develop in the market for green source products.

As proposed in the consultation paper this verification process will be available through the SEMO. Under the process, suppliers would provide the following to the SEMO:

- a green source submission, which would detail the total aggregate demand (kWh) of all the supplier's customers who are availing of green source products
- an independent audit¹ of the content of the green source submission

From these submissions, the SEMO will determine and confirm to the supplier the percentage of their green source product demand that has been met from renewable generation, GOs and REGOs. The SEMO will also provide the fuel mix for the supplier's green and non-green customers – this is to be presented as per the rules set out later. In the interest of customer protection, suppliers will be required to allocate any shortfall in GOs & REGOs equally across their customers who avail of green source products. The CER will publish a report on the outcome of the verification process, including such information as the fuel mix of non green source product customers and any shortfall in GOs & REGOs (data to be published on an individual supplier basis).

The green source submission will be provided to the SEMO at the same time as the supplier's fuel mix submission and cover the same period; for example, if this proposal had been implemented last year, the submission would have been due by 31st March 2014 and the submission would have covered the 2013 calendar year. However, in 2015 and given that the submission deadline for the fuel mix has already past, the SEMO will accept these submissions at a later date this year (to be

¹ It will be the responsibility of the supplier to procure and deliver this

determined) – note the submission is to cover the 2014 calendar year. From next year, the timelines will align with the fuel mix dates (see Appendix III for more details as to timelines)

In making the above decision, the CER would note that alternative verification processes were proposed by respondents to the consultation paper. The CER has decided against these alternatives. This is because they did not negate the need for an independent audit (a suggested benefit by respondents), imposed certain structures on supply businesses or presented information that was not as closely aligned with that of the overall fuel mix. The CER also heeded the CEER's advice that suppliers should inform all of its customers of their product mix in a consistent manner – this is in order to minimise the risk of double counting within one company.

PSO Supported Generation

All customers contribute towards PSO supported generation. The CER asked the question as to how this PSO supported generation should be considered in terms of green source products. The CER has decided that PSO supported renewable generation can be attributed to customers on green source products but all a supplier's customers (those availing of green source products and those who are not) would be attributed the same percentage fuel mix for PSO supported renewable generation; this is calculated by dividing the total amount of PSO supported renewable generation that the supplier is contracted with by the supplier's total demand for the period. The CER considers this option, on balance, the most appropriate as:

- it is closest to how the PSO is allocated under the current fuel mix calculation and provides each supplier's customers the same allocation of PSO supported renewable generation (though this allocation varies from supplier to supplier depending on how much PSO contracts they have).
- alternatives did not ensure, to the extent possible, that all customers equally receive their share of renewable electricity paid for through the PSO levy regardless of the product they availed of or would require a change as to how a suppliers' overall fuel mix is currently calculated, which is out of the scope of this paper as it would be a SEM matter.

Dissemination & Presentation of Information to Customers

At the heart of the proposals presented in the consultation paper is ensuring that customers are presented with accurate information in relation to green source products. Armed with this information, the customer can easily compare products and make an informed decision as to the suppliers and products that they choose. The CER has decided that additional information as to a customer's own fuel mix will not be placed on the bill but will be available through the supplier's website, telephone service and, by request, in hard copy. All suppliers who offer green source products will have to change the following statement on the bills

For more information on the environmental impact of your electricity supply visit www.SupplierZ.ie or call 00XXX X XXX XXXX

to:

Supplier Z now offers green source products which is likely to change your fuel mix when compared to the supplier fuel mix shown. For information on your fuel mix and on the environmental impact of your electricity supply visit www.supplierZ.ie or, for further details call 00XXX X XXX XXXX.

Suppliers will be obliged to present data on the fuel mix of customer's who are not availing of green source products in line with the template presented in appendix II.

The requirement will remain on suppliers that information on promotional materials regarding fuel-mix and associated environmental impact information should use the same basic format as that required to be made available in or with bills to final customers. References to such information provided on promotional material should refer to information provided in this format also.

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1 Introduction

1.1 The Commission for Energy Regulation

The Commission for Energy Regulation (CER) is Ireland's independent energy and water regulator. The CER was established in 1999 and now has a wide range of economic, customer protection and safety responsibilities in energy. The CER is also the regulator of Ireland's public water and wastewater system.

The CER's primary economic responsibilities in energy cover electricity generation, electricity and gas networks, and electricity and gas supply activities. As part of its role, the CER jointly regulates the all-island wholesale Single Electricity Market (SEM) with the Utility Regulator in Belfast. The SEM is governed by a decision-making body known as the SEM Committee, consisting of the CER, the Utility Regulator and an independent member. The overall aim of the CER's economic role is to protect the interests of energy customers. The CER has an important related function in customer protection by resolving complaints that customers have with energy companies.

The CER's core focus in safety is to protect lives and property across a range of areas in the energy sector. This includes safety regulation of electrical contractors, gas installers and gas pipelines. In addition the CER is the safety regulator of upstream petroleum safety extraction and exploration activities, including on-shore and off-shore gas and oil.

In 2014 the CER was appointed as Ireland's economic regulator of the Irish public water and wastewater sector.

Further information on the CER's role and relevant legislation can be found on the CER's website at www.cer.ie.

1.2 Purpose of this Paper

The purpose of this paper is to set out the CER's decision on the regulation of green source products in the electricity retail market.

1.3 Comments Received

The CER received 5 submissions to the Consultation Paper (CER/14/174). Submissions were received from the following organisations or individuals:

Byrne Ó Cléirigh

Captured Carbon

SSE Airtricity

SEMO

Vayu

1.4 Structure of this Paper

This paper is structured in the following manner:

- **Section 2** sets out the background to this decision paper
- **Section 3**, outlines the detail of the substantive issues which the CER sought views on and is now making its decision on.

1.5 Responding to this Paper

Queries on this paper should be submitted, preferably in electronic format, to Seán Mac an Bhaird (smacanbhaird@cer.ie).

2 Background Information

2.1 Introduction

Green source products are an established feature of several liberalised electricity markets. These products generally tend to take on two forms; either providing for investment in environmentally beneficial schemes (eg investment in a specific technology or carbon offsets) or guaranteeing that the customer's electricity is sourced from renewable generation. The CER, in September of last year, published a consultation paper for green source products where the supplier is guaranteeing that the customer's electricity is sourced from renewable generation (see CER/14/470). The CER considered it timely to consult on the regulation of these products due to an increase in the uptake of such products amongst consumers and to ensure these consumers have confidence that they actually receive delivery of the product purchased. Experience in other markets suggests that there is scope for confusion with products due to a lack of easily comparable and transparent public information being available. The CER wishes to avoid this occurring for several reasons; it is contrary to customers' interests if they cannot make an informed decision when choosing their supplier and product; such confusion may deter customers from switching supplier thus reducing the level of competition in the market which is not in customers' nor suppliers' best interests; the CER considers that green source products have the potential to provide market-based support for renewable generation and may assist in increasing the development of renewable energy.

This paper sets out the CER's response to the comments raised by respondents to CER/14/470 and details the CER's decision on the regulation of green source products. Note that all subsequent references in this document to green source products refer to this type and that neither the consultation nor this decision paper, in any way, define what a green source product is nor certify that a supplier meets a particular standard.

3 Consultation proposals, responses and decisions

This section summarises the proposals presented in the consultation paper, respondents' comments to them and the CER's responses and decisions.

3.1 Regulatory vs Voluntary Approach

In the consultation paper, the CER sought comments as to whether the process for verifying green source products in the electricity retail market (including presentation of information to the customer) should be a voluntary or mandatory one. As the naming conventions suggest, the voluntary scheme would not place an absolute obligation on suppliers to partake in the verification process but rather they would be free to partake in the process if they so wished. In contrast, the regulatory approach

would see the CER mandating suppliers' participation in the process through condition 18 of their supply licences. It should be noted that where a mandatory approach was adopted, one additional step would be introduced into the verification process, which would see the CER adding additional information, pertaining to green source products, in its annual fuel mix decision paper. All other steps would be identical under a voluntary or mandatory approach.

In addition, regardless of the approach taken, the CER would maintain appropriate regulatory oversight of green source products as allowed for in the electricity supply licence and the Supplier Handbook, eg ensuring that suppliers are adhering to the requirements of the Code of Practice on marketing and sign up, which require, *inter alia*, suppliers to adopt transparent and fair approaches to the marketing of their products and services and the sign up of customers. The consultation proposed that suppliers, who did not avail of the verification process to be provided by SEMO, would be required to enter into a voluntary code of practice. That code would set out the verification process the supplier has chosen and how the process adheres to the principles of the Supplier Handbook – they would have to submit this to the CER (individual submissions per supplier).

Q1. The CER seeks views of interested parties on the regulatory or voluntary approach to this matter. Outline reasons for agreement or disagreement. Are there alternatives that should be considered?

3.1.1 Respondents' Comments

SSE Airtricity, though neutral as to whether a voluntary or regulatory approach was followed or not, stated their support for a verification mechanism to show that suppliers had enough green attributes to underpin their green source product offerings. The SEMO also noted that it had no preference as to whether a voluntary or regulatory approach was adopted. It did, however, note that the experience from customer to customer may vary widely under a voluntary approach. Vayu stated that a regulatory approach would be more appropriate than a voluntary one. In its opinion the strength of a regulatory approach is that it would provide the customer with further confidence that the validity of the information being presented by suppliers on green source products was being independently verified. Vayu noted the yearly fuel mix calculation as an example of such a regulatory regime, which has underpinned customer confidence in presented information. Vayu also added that under a voluntary approach independent audits would be required, which would impose costs on the supplier; costs which are likely to be passed on to the customer. Captured Carbon suggested that the CER should make a simple rule that requires suppliers to follow a specific system – this statement is premised on the adoption of a specific approach, put forth by Carbon Capture, as to how GOs should be attributed to customers (which will be discussed later in this document).

3.1.2 CER response

The CER notes that one respondent called for the adoption of a regulatory approach, while the other respondents did not declare a preference.

As to the potential for the customer experience to vary widely under a voluntary approach, the CER recognises the potential for suppliers to adopt different approaches as to how they validate their green source products and that the potential this may have to undermine customer confidence in the adopted processes.

At the heart of the proposals presented in the consultation paper is ensuring that customers are presented with information in relation to green source products that is reliable, accurate and easy to understand. Armed with this information, the customer can easily compare products and make an informed decision as to the suppliers and products that they choose. It will also strengthen customer confidence in the products being offered and in doing such further underpin the development of the market for green source products. The CER notes that the Supplier Handbook already contains specific rules to ensure the accuracy etc of information provided to the customer, including;

taking “all reasonable steps to ensure its marketing material is easy to understand, accurate, specifies clearly the product being marketed and the period it cover”.

The CER also notes that the fuel mix decision requires suppliers to explain to customers the fuel mix of its products. There are, however, no specific details as to how this should be done or how the accuracy of the fuel mix of green source products can be confirmed for the customer (eg verifying that the product is in fact 100 % green). The CER considers that an independent verification process would further strengthen customer confidence in green source products and a single verification process, to be used by all suppliers, would make it easier for customers to understand and the process more customer friendly – in other words it would avoid customers having to try and comprehend (and likely question the relative accuracy of) different verification approaches. As such, the CER considers it appropriate that a regulatory approach be adopted. The verification process is discussed in detail in section 3.3 and is structured around:

- a green source submission to the SEMO providing the total aggregate demand (kWh) of all customers who are availing of a green source product, and;
- an independent audit of that green source submission (it will be the responsibility of the supplier to procure and deliver this).

So, even under a voluntary approach, all suppliers would be able to avail of the above independent verification process.

As to a voluntary approach imposing costs on suppliers, the CER would note (and as outlined above) that the voluntary and regulatory approaches are both structured around the same verification process, which involves suppliers undertaking independent audits.

3.1.3 CER decision

The CER has considered, in full, all comments received. The CER has decided that, at this time and on balance, a regulatory approach is the most suitable for the evolving market in green source products.

3.2 Treatment of PSO Supported Renewable Generation.

All customers contribute towards PSO supported generation. The CER asked the question as to how this PSO supported generation should be considered in terms of green source products. Specifically, the CER asked to what extent suppliers should be able to attribute PSO supported renewable generation to green source products and put forth the following options:

Option 1 – No PSO supported renewable generation could be attributed to customers on green source products.

Option 2 – PSO supported renewable generation could be attributed to customers on green source products but:

- a) all a supplier's customers (those availing of green source products and those who are not) would be attributed the same percentage fuel mix for PSO supported renewable generation; this is calculated by dividing the total amount of PSO supported renewable generation that the supplier is contracted with by the supplier's total demand for the period,

or;

- b) all customers, regardless of their supplier and whether or not they are availing of a green product or not, are attributed the same percentage fuel mix for PSO supported renewable generation; this is calculated by dividing the total amount of PSO supported renewable generation over the total generation in Ireland for the period.

Q2. The CER seeks views of interested parties on each of the options proposed? Specifically, should PSO supported renewable generation count towards the green allocation for green customers? Are there alternatives the CER should consider? Outline reasons for agreement or disagreement.

3.2.1 Respondents' Comments

SSE Airtricity noted that the CER does not have any discretion over the terms of the PSO scheme. It also noted that the PSO levy is separate to the purchase of electricity, does not vary from customer to customer and does not vary based on supplier's fuel mix. To this background, SSE Airtricity argued that it is inappropriate for the CER to attribute such characteristics to the PSO levy. Notwithstanding such, SSE Airtricity also contended that it was inappropriate for the proposals put forth in the consultation paper to focus solely on renewable supported PSO plants and that the proposals should have extended to non renewable PSO supported plants also.

Vayu supported option 2 (a), where all of a supplier's customers (those availing of green source products and those who are not) are attributed the same percentage fuel mix for PSO supported renewable generation.

The SEMO saw option 1 as the most straight forward and easiest to implement. It also stated that option 1 was the most transparent. The SEMO stated that option 2 (b), is not compatible with the current fuel mix methodology, which is an all island calculation that does not incorporate a method for apportioning the effects of imported or exported certificates to a single jurisdiction (Northern Ireland or this jurisdiction). The SEMO also noted that although customers pay equally for the PSO (eg all domestic customers pay the same price), suppliers are free to compete for PSO contracts with PSO supported generators and may contract as much or as little of such generation as they wish. This, in practice, sees an uneven distribution of PSO supported generation across suppliers.

3.2.2 CER response

The PSO levy is a subsidy charged to all electricity customers in Ireland. It is designed by the Irish Government and consists of various subsidy schemes to support its national policy objectives related to renewable energy, indigenous fuels (peat) and security of energy supply. The proceeds of the levy are used to contribute to the additional relevant costs incurred by PSO supported electricity generators which are not recovered in the wholesale electricity market. The proceeds from this levy are paid to suppliers, who have contracted with PSO supported electricity generators; who in turn pay for the electricity generated in line with the contract that it struck with the generator. Suppliers are free to compete for 15 year contracts with generators that qualify for PSO support. With this open competition, suppliers have entered into varying numbers of PSO supported contracts. In the calculation of a supplier fuel mix, the fuel mix considers the PSO supported renewable contracts that the supplier has entered into. To determine the overall fuel mix of the supplier this is added to:

- the number of Guarantees of Origin (GOs) / Renewable Energy Guarantee of Origins (REGOs) that the supplier is declaring for the period in question, and
- any non renewable generation that the supplier is declaring.

Where the supplier's demand is greater than the sum of the above 3 items (renewable PSO contracts, GOs/REGOs and declared non renewable generation) the residual fuel mix for the Island of Ireland is applied to the remaining demand. With each supplier's fuel mix taking into account the number of renewable PSO contracts the supplier has entered into, the degree of PSO supported generation in a customer's fuel mix is dependent on what supplier they are with. This is not to change, as the calculation for a supplier's overall fuel mix is not to be changed. As

detailed in the consultation paper, fuel mix disclosure is a SEM matter and the SEM committee published a decision paper setting out the methodology for its calculation for the island of Ireland². This paper is looking at additional / supplemental fuel mix information that suppliers in this jurisdiction should provide to the customer, where green source products are being sold.

As to the options put forth in the consultation paper, the CER considers that Option 2 (a) is, on balance, the most appropriate for the following reasons:

- it is closest to how the PSO is allocated under the current fuel mix calculation and while taking into account the contracts that the supplier has in place, provides an equitable distribution of PSO supported renewable generation amongst a supplier's customers.
- option 1 allocates no PSO supported generation to green source product customers and as such does not ensure, to the extent possible, that all customers equally receive their share of renewable electricity paid for through the PSO levy regardless of product available.
- option 2 (b) would require a change as to how a suppliers' overall fuel mix is calculated, which is out of the scope of this paper

In relation to the last bullet point, option 2 (b) suggested that all customers are allocated the same amount of PSO supported generation in their fuel mix. It would follow that each supplier had the same PSO % in their overall fuel mix. This is not the case as the fuel mix methodology, as described earlier, takes into account the varying levels of PSO contracts that each supplier has entered into. Any changes to this methodology are out of scope – as it is a SEM matter.

As to Airtricity's comment that the proposals should have extended to all generation supported by the PSO, rather than just its renewable element, the CER would note that the paper was focusing on the allocation of green attributes to customers. The CER would also note that option 2 (a), the selected option, aligns with the current fuel mix disclosure methodology, which considers the contracts that a supplier has entered into and allows the supplier to declare any non renewable generation that they have contracted with (including PSO supported non renewable generation) in their overall fuel mix. It should be noted that it is up to the supplier whether they declare this contracts or not. Any mandate that non renewable PSO contracts had to be equally distributed amongst a supplier's customers would not align with this – as it would remove this flexibility to declare non renewable contracts or not from the process. This could lead to a supplier's overall fuel mix not aligning with that of its

² [SEM/11/095](#)

individual customers. The CER also considers that, although a customer on a green source product has provided payment towards non renewable generation through the PSO levy, they have actively chosen, by selecting the green source product, to be supplied with a certain level of green electricity. Placing a requirement on suppliers that they had to equally distribute non renewable PSO supported electricity equally amongst their customer base would not allow a supplier to offer a 100% green product to these customers.

3.2.3 CER decision

The CER has decided to adopt option 2 (a), as:

- it is closest to how the PSO is allocated under the current fuel mix calculation and provides each supplier's customers the same allocation of PSO supported renewable generation (though this allocation varies from supplier to supplier depending on how much PSO contracts they have).
- option 1 allocates no PSO supported generation to green source product customers and as such does not ensure, to the extent possible, that all customers equally receive their share of renewable electricity paid for through the PSO levy regardless of product availed.
- option 2 (b) would require a change as to how a suppliers' overall fuel mix is calculated, which is out of the scope of this paper.

3.3 Verification of Green Source Products

The consultation paper proposed a verification process that was structured around:

- a green source submission to SEMO providing the total aggregate demand (kWh) of all customers who are availing of a green source product, and;
- an independent audit of that green source submission (it will be the responsibility of the supplier to procure and deliver this).

It was proposed that these submissions would be made at the same time as the suppliers' annual fuel mix submissions and cover off the same time period. For example, if this proposal had been implemented last year, the submission would have been due by 31st March 2014 and the submission would have covered the 2013 calendar year.

With the above submissions, the SEMO would verify that the number of GOs & REGOs held under a particular supply licence is sufficient to meet the total demand of the green source products contracted by that supplier for the relevant calendar period. The consultation paper proposed that this verification by the SEMO is confirmed to the CER at the time of issuing the fuel mix figures.

The consultation paper also proposed that once the supplier had made their green source products submissions (alongside their fuel mix submission), there would be no further opportunity for suppliers to allocate REGOs & GOs that are being held by

them for the next fuel mix period into the current mix (i.e. in the scenario where the SEMO determines there is a shortfall of REGOs & GOs for their green demand).

In both options, where the SEMO determines that the supplier has a shortfall of GOs & REGOs to meet the green source product demand, the deficit in GOs & REGOs were to be apportioned equally amongst all the supplier's green customers. The SEMO would report this shortfall to the supplier and the CER. The CER would in turn publish this in its fuel mix paper.

Q3. The CER seeks views of interested parties on the proposals outlined in this section. Outline reasons for agreement or disagreement. Are there alternatives that should be considered?

3.3.1 Respondents' Comments

The SEMO asked whether CER will provide an approved list of companies to carry out audits and questions whether there may be issues with auditors looking at estimated rather than outturn figures. On the latter point, it queried whether the CER will set a methodology for assessing estimates in the auditing process. Byrne Ó Cléirigh recommended that any audit should be conducted in line with recognised international standards. It also noted the importance of minimising the administrative burden of the process. In that context, Byrne Ó Cléirigh stated that, to the extent possible, current systems and processes should be used. It stated that it must be efficient in terms of, *inter alia*:

- “the nature and extent of the information required from the generator,
- the extent of assessment of information by the regulator(s); and,
- the timeframes for calculating, verifying and allocating green sourced electricity”

Vayu argued that the CER should be involved in setting minimum standards for when suppliers are verifying their green source products. Vayu suggested that separate supply units should be set up for a supplier's green and brown product offerings. The SEMO would then calculate a specific fuel mix for each supplier unit. This in Vayu's view would negate the need for any form of audit as all relevant data would be presented to the SEMO for the calculation of the fuel mix for each supply unit.

Captured Carbon stressed that the proposals were not entirely necessary and would place significant additional administration costs on suppliers, which will be in turn passed on to the end customer. It also noted that the proposals would place additional burden on the SEMO in the calculation of the fuel mix, which it noted has been regularly delayed in the past. Captured Carbon also suggested that the proposals would lead to an inefficient allocation of REGOs and GOs as suppliers would be expected to over allocate a portion of REGOs and GOs. It noted that the

proposal would lead to suppliers having multiple fuel mixes, which would lead to confusion. Captured Carbon added that the ex post adjustment for where a supplier has insufficient GOs and REGOs to meet its total demand for its green source products would undermine the system – as it does not provide a customer any confidence that the green source product that they signed up to will be delivered. In making these arguments, Captured Carbon pointed to its own proposal, which is discussed later in this section.

SSE Airtricity supported the principle that suppliers must demonstrate that they have sufficient renewable sources to meet the amount of green source product offerings that they sell to their customers. To facilitate this, SSE Airtricity believed that suppliers should be able to allocate GOs directly to a commercial customer. This would provide such customers with sufficient information for validating the source of their green source products.

Captured Carbon also presented an alternative verification proposal, which was structured around the cancellation of a GO in somebody's name. It stated "*where a consumer wishing to have green source electricity must have a corresponding quantity of GO's cancelled in the name of the customers and this to be recorded in the Irish Go's registry as a "green source" cancellation i.e. that these GOs are cancelled from the Irish GOs Registry (as if they had been exported out of that registry)*".

The response noted that this could be adopted by the systems that SEMO has procured and will be using to automate the GO registry in the future. The response also noted that this option would not require an audit to be undertaken to verify green source products for the customer; reducing the bureaucracy and workload over the process proposed by the CER in the consultation paper. This process of cancelling GOs would see a certificate of cancellation being issued. Captured Carbon suggested that these certificates of cancellation could be presented to the customer. They would include the details of the generator in question and also the customer to whom they have been attributed.

Carbon Capture suggested that generators should be able to sell green source products to customers rather than just suppliers. In making this argument they pointed to the fact that the SEM is a gross mandatory pool.

The SEMO highlighted that it has received a number of queries as to the current scheme not allowing for large energy users to cancel GOs. The SEMO noted that this issue has not been addressed in the consultation paper. In this context, it highlighted a concern of double counting where GOs were exported to mimic a cancellation for a specific customer – where the GO is exported but not registered in another jurisdiction, it would remain in limbo allocated to no country's / supplier's fuel mix; a party may consider stating that it exported these GOs for a specific customer and present them to that customer as a means of demonstrating that the makeup /

validity of their green product. In its response the SEMO stated that it believed that such practices would present “*issues with double counting*” and “*will dilute the integrity of not only our fuel mix calculation but also the European Fuel Mix figures*”.

SSE Airtricity was against the proposal as to how a shortfall in renewable energy sources would be handled. It suggested that it should be left to the discretion of the supplier as to what customer any shortfall should be attributed.

3.3.2 CER response

The CER notes that responses covered a range of issues and suggestions to address the question of verification. The CER welcomes all suggestions raised and has considered each one in terms of, *inter alia*, robustness (eg avoiding double counting), administrative burden, clarity to the customer and CEER best practice guidelines,

Vayu suggests that suppliers should be required to establish separate supply units in the wholesale market for their different product offerings (eg one for their brown source products and one for their green source products). Multiple supply units may be setup by suppliers³ and some parties have availed of this option. However, others have not. Also where suppliers have setup additional supply units, they may not necessarily be for customers on different products (green etc). As such, to move to such a system, as described by Vayu, would require changes to suppliers’ current systems, which are not necessarily trivial / minor in nature. In addition, the CER does not see how the proposal would negate the need for an independent auditor.

The main purpose of the auditor is to validate the accuracy of the demand figure for customers on green source products submitted to the SEMO. This would remain necessary where suppliers established individual supply units for their different products because, even with this, the SEMO would not hold information as to what customers are on green source products.

In the consultation paper, the CER set out principles underpinning the proposed independent audit – see Appendix I for details. These principles would have to be adhered to and the auditors would have to be truly independent of the supplier. The CER did not specify a list of approved auditors nor any national or international standards that any such audit would have to meet. On balance, the CER does not deem it necessary to do such.

³ The process for establishing additional supply units in the wholesale market are detailed on the SEMO website, see: <http://www.sem-o.com/JoiningTheMarket/registerasupplierunit/Pages/supply.aspx>

The existing fuel mix disclosure calculation is a well-established, clear and transparent process which sets out, annually, the fuel mix of electricity suppliers in Ireland. As such, any proposals should to the extent possible be based on this already proven and established mechanism without jeopardising its integrity or transparency.

The CER notes the proposals from SSE Airtricity and Captured Carbon as to allocating GOs directly to a specific customer. This is with the intention of presenting these GOs directly to the customer as proof of the greenness of their demand. As described in SEM/11/095, GOs are used to determine suppliers' overall fuel mixes. The overall fuel mix is presented to the customer rather than the GOs used to calculate it – see SEM committee decision paper SEM/11/095. Changing how this overall fuel mix is presented is out of the scope of this paper; as it is a SEM matter. This paper focuses on, supplemental information to this overall fuel mix, which is not a SEM matter. In the interest of simplicity, clarity and ease of comparability, the CER considers that any supplemental information to the supplier's overall fuel mix should be presented in as similar a format as possible. This should assist customers in comparing any additional information to their suppliers' overall fuel mix. Where GOs were presented to the customer, an explanation would have to be provided to the customer as to how they tie into the fuel mix – ie detail given as to how the fuel mix is calculated and how a GO is used in that process. Although some customers may be interested in this and should be provided access to such information, the CEER has found that the vast majority are not interested in such details and that for those customers the integrity of the system is what is of most importance:

“For this group of customers it is primarily important to be able to place trust in the system, without having to understand the functioning of the system as such”

In making the above points, the CER is cognisant that the proposals put forth are in relation to the allocation of GOs directly to commercial customers only. In this regard, the CER would point to the CEER publication on XXX, which states:

“the supplier should inform all of its customers of their product mix in a consistent manner, in order to minimise the risk of “double disclosure” within one company”

If a supplier that sells specific products, guaranteeing electricity from a specific source, provides information regarding the product mix, he should provide to all of his customers the same degree of information about the particular product mix. In this case, the supplier should inform all of its customers of their product mix in a consistent manner, in order to minimise the risk of “double disclosure” within one company”

As to the suggestion that allocating GOs directly to a specific customer would negate the need for any audit; the CER does not agree with this point of view. In this regard the CER would point to the fact that the proposal put forth is based on individual customers rather than conducting an overall check / verification that the supplier has sufficient GOs to cover all its green demand. Without this overall check / verification a supplier may take a risk and acquire less GOs than is necessary to cover all its green demand because they have estimated that only a certain % of their customers will request visibility of their GOs. The CER would also note that any exported GOs, which are not declared in another jurisdiction, do not, in any way, contributed to the fuel mix of any customer in this jurisdiction and customers should not be informed of anything different to this.

As to the proposed reconciliation of a shortfall, where it is proportioned equally amongst all green source product customers of the supplier, the CER notes that this was proposed on customer protection grounds. Specifically, it was proposed to ensure that certain green source product customers were not afforded preferential treatment, in such an event, over others. With such a limitation, suppliers will be incentivised to plan carefully to ensure that any shortfall is minimised / avoided. It will then be up to the supplier to rectify the situation in line with the terms and conditions of each individual customer's supply contract.

As to the additional workload that the consultation proposal would place on the SEMO, the CER would note that this would be limited to receiving submissions from suppliers as to the demand of their customers on green source products and cross checking this against and using this to calculate the supplier's fuel mix for those customers not availing of a green source product – see following section for details. The CER has engaged with the SEMO in relation to this additional work and the SEMO will have sufficient resources to conduct this work.

Finally, as to a degree of estimation required for suppliers, the CER notes that the methodology for fuel mix disclosure sees the SEMO apply a uniform factor to account for any difference between metered consumption data and actual demand. The SEMO does this after it has received the fuel mix submissions from suppliers. As the green source submission will be submitted alongside that submission and pertain to the same period, the supplier will have to estimate this adjustment factor to ensure that they acquire the percentage of greenness that they want. The CER would however note that this adjustment is relatively small; ranging from 0.012 and 0.016 from 2011 to 2013. The CER considers that estimating this factor does not present suppliers with an overtly large risk.

3.3.3 CER decision

The CER has decided that the SEMO will provide the verification process as set out in the consultation paper. In line with the CER decision that a regulatory approach would be adopted towards green source products all suppliers offering green source

products will have to avail of this verification process. The verification process will be as follows:

- a green source submission will be submitted to SEMO
- a green source submission will detail the total aggregate demand (kWh) of all the supplier's customers who are availing of green source products
- this green source submission will be submitted with an independent audit⁴ confirming its accuracy
- the green source document will be submitted at the same time as the supplier's fuel mix submission and cover the same period; for example, if this proposal had been implemented last year, the submission would have been due by 31st March 2014 and the submission would have covered the 2013 calendar year.

In relation to the last bullet point and given that the deadlines for the 2014 fuel mix submissions have passed, the SEMO will, accept these submissions at a later date (to be confirmed) – note the submission is to cover the 2014 calendar year.

From the above submissions, the SEMO will determine and confirm to the supplier whether or not they have a shortfall of GOs & REGOs to meet their green source product demand. The SEMO will also provide the fuel mix for the supplier's green and non-green customers – this is to be presented as per the rules set out later. In the interest of customer protection, suppliers will be required to allocate any shortfall in GOs & REGOs equally across their customers who avail of green source products – this is regardless of whether they avail of the verification process provided by the SEMO or not. The CER will publish a report on the outcome of the verification process, including such information as the fuel mix of non green source product customers and any shortfall in GOs & REGOs (data to be published on an individual supplier basis).

The CER has decided against the alternative proposals suggested because they did not negate the need for an independent audit and either imposed certain structures on supply businesses or presented information that was not as closely aligned with that of the overall fuel mix. In making the decision, the CER also heeded the CEER's advice that suppliers should inform all of its customers of their product mix in a consistent manner – this is in order to minimise the risk of double counting within one company.

⁴ It will be the responsibility of the supplier to procure and deliver this

In the interest of customer protection, suppliers will be required to allocate any shortfall in GOs & REGOs equally across their customers who avail of green source products – regardless of the process they follow to verify green source products to their customers.

3.4 Reporting on Green Source Products

The consultation paper proposed that the fuel mix of those customers not availing of a green source product shall be published in addition to the standard supplier's fuel mixes. In practice this means that the overall supplier fuel mix shall be recalculated with the quantity of green attributes allocated to declared green source customers removed. This calculation would be carried out by the SEMO after the standard fuel mix calculation process has been completed.

Q4. The CER seeks views of interested parties on proposed changes/additions to the CER's fuel mix annual publication. Outline reasons for agreement or disagreement for each of the proposals outlined. Are there alternatives that should be considered?

3.4.1 Respondents' Comments

Vayu stated that it is content with the level of data currently published by the CER. SSE Airtricity agreed with the proposal that there should be a separate fuel mix for demand associated with green source products. Captured Carbon reiterated its assertion that the proposals in the consultation will not provide confidence to the customer.

3.4.2 CER response

The overall fuel mix will continue to be published by the CER. Where a supplier offers green source products, the SEMO will calculate the supplier's fuel mix for their customers not availing of a green source product. The CER responded to Captured Carbon's proposals in section 3.3.

3.4.3 CER decision

The CER has decided that where a supplier offers green source products, the SEMO will calculate the supplier's fuel mix for their customers not availing of a green source product – this will be calculated during the verification process as detailed in section 3.3.

3.5 Dissemination & Presentation of Information to Customers

At the heart of the proposals presented in the consultation paper is ensuring that customers are presented with accurate information in relation to the products that they are being offered – in this case the renewable attributes of such products. Armed with this information, the customer can make an informed decision as to the suppliers and products that they choose.

The consultation paper proposed how fuel mix data would be presented to customers where green source product offerings are available. In making those proposals the CER pointed to SEM/11/095, which requires that all suppliers publish their fuel mix figures on customer bills on an aggregate basis regardless of individual customer bespoke fuel mixes. The proposals suggested that the fuel mix data on the bill remain as is – ie based on an aggregate figure regardless of an individual customer's bespoke fuel mixes – but that suppliers would be required to present information about the customer's specific fuel mix on their websites. These bespoke data would be presented alongside the customers overall fuel mix. A standard template for this additional information was presented and is available in Appendix II of this document. The template presented the renewable contribution split out into that supported by the PSO and that which is not. This data would have to be published along the same timelines as for the placement of fuel mix data on suppliers' bills – ie two months after the CER's annual fuel mix disclosure publication and will be for the previous calendar year. The CER also proposed that where a customer (green customer or otherwise) expressed their desire to receive these data in hard copy, the supplier shall be required to provide such, at the very minimum, once per annum at the time at which updated fuel mix figures are published by the supplier.

Lastly, the CER proposed that changes should be made to the text currently included on electricity bills regarding fuel mix disclosure as per SEM/11/095. The CER proposed that the current text which appears at the base of the default presentation of fuel mix information on bills be changed from:

'For more information on the environmental impact of your electricity supply visit www.SupplierZ.ie or call 00XXX X XXX XXXX'.

to (where green source products are offered):

'Supplier Z now offers green source products which is likely to change your fuel mix when compared to the supplier fuel mix shown. For information on your fuel mix and on the environmental impact of your electricity supply visit www.supplierZ.ie or, for further details call 00XXX X XXX XXXX.

Q5. The CER seeks views of interested parties on the presentation proposals outlined in this section. Outline reasons for agreement or disagreement for each of the proposals outlined. Are there alternatives that should be considered?

3.5.1 Respondents' Comments

SSE Airtricity supported the presented proposals as to the information to be provided to the customer. Vayu referred back to its proposal that supplies should have a separate supply unit for their green source product offerings. Vayu asserted that by providing customers with sight of the fuel mix for each of these separate supply

units, the customer would be able to clearly tell the renewable energy mix of the product that they signed up to. Vayu acknowledged that suppliers should be required to publish their approved fuel mix on their websites. Captured Carbon referred to its alternative proposal, which it stressed would be less burdensome and would mean that CER or the SEMO would publish a list of companies that had purchased green source electricity – it noted that customer consent would be required to enable this.

3.5.2 CER response

Earlier in this document, in section 3.3, CER responded to the alternative proposals presented by Captured Carbon and Vayu as to how to validate that suppliers have sufficient renewable energy sources to underpin their green source product offerings. In that section the CER also detailed why it has decided not to implement either of them.

The CER considers that the proposals presented in the consultation paper as to the presentation of more detailed information to customers through a supplier's website, strikes the right balance and duly considers the additional burden placed on suppliers in presenting additional fuel mix information. It also seeks to ensure that customers who would like more information on their specific product have an easy route to obtain such while not overwhelming other customers which additional information that they may have little use for – information overload may discourage them from engaging with the market. The proposal also aligns with CEER's advice on customer information regarding the sources of electricity (ref: C14-CEM-70-08). Specifically, recommendation 3 of that advice which introduces the notion of tiered information – core mandatory fuel mix data being presented on the bill (ie a supplier's overall fuel mix as required by the Energy Directive) and more detailed product specific data on the supplier's website.

In section 3.3, the CER decided that the use of the verification process to be provided by the SEMO would be mandatory for suppliers offering green source products. Through this verification process the SEMO will calculate and provide the fuel mix for customers who are availing of green source products and those who are not. The supplier would be obliged to present this information as per the requirements set out in the consultation paper and presented in appendix II of this decision paper.

3.5.3 CER Decision

The CER has decided that the proposals detailed in the consultation will be implemented. All suppliers who offer green source products will have to change the following statement on the bills:

For more information on the environmental impact of your electricity supply visit www.SupplierZ.ie or call 00XXX X XXX XXXX

to:

Supplier Z now offers green source products which is likely to change your fuel mix when compared to the supplier fuel mix shown. For information on your fuel mix and on the environmental impact of your electricity supply visit www.supplierZ.ie or, for further details call 00XXX X XXX XXXX.

Where the supplier offering green source products has availed of the verification process to be offered by SEMO, the supplier will be obliged to present this data on their website in the format shown in appendix II of this document.

The CER would note that the current requirement as to suppliers providing information on fuel-mix and associated environmental impact information within promotional materials will remain. That requirement stipulates that such information should be presented in the same basic format as that required to be made available in or with bills to final customers.

3.6 Conclusions and Next Steps

This paper sets out the CER's decision with regard to the regulation of green source products in the electricity retail market. The decision follows a consultation on the matter (Regulation of Green Source Products in the Electricity Retail Market, Consultation Paper - CER/14/740). The decision sees a regulatory approach to green source products, where a verification process is available to the market and suppliers offering green source products must use it. This verification process will be provided by the SEMO. Suppliers offering green products will be required to allocate PSO supported renewable generation evenly amongst their customers – ie all a supplier's customers will receive the same % green associated with PSO renewable generation. Suppliers, providing green source products, will have to provide additional information on the customer's specific fuel mix. This will be done through the supplier's website and telephone lines and, where requested, in hard copy. Suppliers, providing green source products, will have to indicate the availability of this information through standardised text on their bills. The CER will continue to monitor suppliers' compliance with the Supplier Handbook.

The SEMO will engage with suppliers directly as to the administration of the verification process.

A list of the decisions made in this paper are provided over leaf.

Decisions in this paper	
Decision 1	<p>An independent verification process will be put in place that suppliers must avail of if they are offering green source products. This verification process will be available through the SEMO. Under the process, suppliers will provide the following to the SEMO:</p> <ul style="list-style-type: none"> ➤ a green source submission, which would detail the total aggregate demand (kWh) of all the supplier's customers who are availing of green source products ➤ an independent audit⁵ confirming the accuracy of the green source submission <p>From these submissions, the SEMO will determine and confirm to the supplier whether or not they have a shortfall of GOs & REGOs to meet their green source product demand.</p> <p>The CER will publish a report on the outcome of the verification process, including such information as the fuel mix of non green source product customers and any shortfall in GOs & REGOs (data to be published on an individual supplier basis).</p>
Decision 2	<p>PSO supported renewable generation can be attributed to customers on green source products but all a supplier's customers (those availing of green source products and those who are not) would be attributed the same percentage fuel mix for PSO supported renewable generation; this is calculated by dividing the total amount of PSO supported renewable generation that the supplier is contracted with by the supplier's total demand for the period.</p>

⁵ It will be the responsibility of the supplier to procure and deliver this

Decision 3	<p>The CER has decided that additional information as to a customer's own fuel mix will not be placed on the bill but will be available through the supplier's website, telephone service and, by request, in hard copy.</p> <p>All suppliers who offer green source products will have to change the following statement on the bills</p> <p><i>For more information on the environmental impact of your electricity supply visit www.SupplierZ.ie or call 00XXX X XXX XXXX</i></p> <p>to:</p> <p><i>Supplier Z now offers green source products which is likely to change your fuel mix when compared to the supplier fuel mix shown. For information on <u>your</u> fuel mix and on the environmental impact of your electricity supply visit www.supplierZ.ie or, for further details call 00XXX X XXX XXXX.</i></p> <p>Suppliers offering green source products will be obliged to present data on the fuel mix on their website in a standardised format – as shown in appendix II of this document.</p>
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Appendix I – Green Source Product Submission & Audit Requirements

The verification process to be provided by the SEMO will be structured around:

- a green source submission to SEMO providing the total aggregate demand (kWh) of all customers who are availing of a green source product, and;
- an independent audit of that green source submission (it will be the responsibility of the supplier to procure and deliver this).

The independent audit must adhere to the following principles:

- For the fuel mix year (i.e. calendar year) in question the supplier must have the requisite amount of renewable generation available to meet the demand of their declared green source product customers.
- The requisite quantity of renewable energy has been sourced from a renewable generator that is not in receipt of PSO support (excluding the PSO renewable generation that has been allocated equally to all customers).
- The total demand figure supplied for all green source products is comprehensive and there are no other customers availing of a green source product.
- The demand figure provided in the green source product submission is based on the actual billed quantity of electricity supplied to the customer(s).
- Each specific customers demand figure is based on the actual meter reading from the Meter Registration System Operator's (MRSO) meter located at the site, identified by an individual Meter Point Reference Number (MPRN).
- As set out in the fuel mix methodology decision (SEM/11/095), a uniform factor is applied to demand used in the fuel mix disclosure calculation. This factor represents the difference between total metered generation and total metered demand occurring during the Disclosure Period. The SEMO issue a uniform loss adjustment factor at the time it issues suppliers fuel mixes to suppliers for review. Suppliers therefore will need to take account in their green source product submission an estimate of the uniform factor so that the requisite amount of non PSO supported renewable generation is available in the fuel mix submission. The SEMO can provide historical uniform factors on request to aid this estimate.

Lastly, the auditor's reports shall confirm (based on these principles) that the supplier's green source product submission is accurate and that the supplier has the requisite number of REGOs and GOs available for all green source product customers in the period.

Appendix II – Additional Information Requirement for Electricity Bills

The CER has decided that it will be obligatory to use the verification process to be conducted by the SEMO and detailed in section 3.3. The CER has decided that through this verification process, the SEMO will calculate the supplier's fuel mix for their customers not availing of a green source product as well as confirming the fuel mix of the green source product customers. Where the SEMO verification process is used, data on the fuel mix of customer's who are not availing of green source products must be presented in line with the below template.

Fuel Mix of Customers Not Availing of a Green Source Product		
Applicable Period: January 20XX to December 20XX		
Electricity Supplied has been sourced from the following fuels	% of Total	
	Your Specific Fuel Mix	Your Supplier's Fuel Mix
Coal	X%	X%
Natural Gas	X%	X%
EU Fossil	X%	X%
Renewable	X%	X%
• PSO	X%	X%
• Non PSO	X%	X%
Peat	X%	X%
Other	X%	X%
Total	100%	100%
Environmental Impact		
CO ₂ Emissions	X g per kWh	X g per kWh
Radioactive Waste	X g per kWh	X g per kWh
For more information on the environmental impact of your electricity supply visit www.SupplierZ.ie or call 00XXX X XXX XXXX		

Appendix III – Submission timelines for the SEMO verification process

As detailed in section 3.3, the SEMO verification process will be structured around:

- a green source submission, which would detail the total aggregate demand (kWh) of all the supplier’s customers who are availing of green source products
- an independent audit⁶ confirming the accuracy of the green source submission

Note that the submission deadlines for these will be generally aligned with that for the fuel mix disclosure. However, in 2015 the date will be later as the deadline for the fuel mix has already passed - the below table highlights this.

Year	Submission timeline	Submissions covering calendar year
2015	tbc	2014
2016	31 st March	2015
2017	31 st March	2016
2017 – onwards	31 st March	The calendar year just past

⁶ It will be the responsibility of the supplier to procure and deliver this