

GSE consultation on the identification of Renewable Energy Sources (RES), issue and management of Guarantees of Origin (GoOs)



EFET response – 15 January 2021

The European Federation of Energy Traders (EFET)¹ welcomes the opportunity to provide comments to GSE consultation on "*procedure for the identification of renewable energy power plants, issue and management of Guarantees of Origin*".

General comments

As a general remark, we believe that a non-standard approach to the creation, validation and subsequent cancellation of RES-E GoOs might jeopardise not only the correct implementation of RED II in Italy, but also the smooth revision of the overall certification provisions in RED II, impeding certificates (including GoOs) to be more homogeneous and better harmonised across the EU.

Acknowledging the reference to the RED II revision and being aware of GSE participation in the revision of the EN 16325 standard on Guarantees of Origin (GoOs), we believe that a national long-term vision for GoOs is still missing. We are also concerned on the status of the RED II implementation, which is expected by June 2021. Hence, we would encourage GSE to coordinate with Italian authorities and with market participants in order to ensure that RED II is implemented by the expected deadline.

From our understanding, the main scope of the consultation is to allow the cancellation of GoOs by end users according to the RES Decree (DM 4 July 2019): automatic cancellation when the GO is transferred to the end-user is proposed, aiming to prevent double-counting. On one hand, we recognise the potential benefits for GSE in facilitating the management of GoOs, on the other hand we believe it might cause critical issues in the case of errors in the transfer process, as it is not possible for end users to have full visibility of the cancellation process.

Furthermore, we understand that the rationale behind the proposal is to give end users the possibility to show their contribution to lifting new renewable power generation projects. If so and in face of the complexities of the solution proposed, it would be great to know whether any alternative model has been considered and why such solutions have been dismissed.

As an active promoter of the Power Purchase Agreement (PPA), EFET appreciates GSE efforts and supports any measure that aims to increase PPA's attractiveness in the Italian energy market, recognising their vast potential in accelerating the development of further RES capacity and the decarbonisation of the energy industry with a market-based approach.

¹ The European Federation of Energy Traders (EFET) promotes and facilitates European energy trading in open, transparent and liquid wholesale markets, unhindered by national borders or other undue obstacles. We build trust in power and gas markets across Europe, so that they may underpin a sustainable and secure energy supply and enable the transition to a carbon neutral economy. EFET currently represents more than 100 energy trading companies, active in over 27 European countries. For more information: www.efet.org

However, we would like to recall our core belief expressed in our response to GME consultation 01/2020 on PPA platform²: the system should remain open and be based on voluntary participation to ensure the free negotiation of the stipulating parties. Coupling the figure of the end user able to directly cancel the GoOs with the PPAs might cause discriminations for market participants and affect negatively their freedom of negotiation and use of GoOs.

EFET Core points on RED II revision

RED II revision should enable the adaptation of EU and national GoO and similar certification schemes to a unitary - or at least harmonised - set of EU standards and rules. RED II revision should encompass:

- Establishment of a unitary EU-wide regime for the issuance and use of GoOs and certificates, which evidence the renewable and low carbon attributes of certain energy sources and energy carriers, including hydrogen;
- An overhauled legislative framework covering the issuance and use of such GoOs and certificates, which features:
 - Universality (i.e., mandatory issuance by designated Member State authorities, upon requests of producers or suppliers, and corresponding mandatory verification and registration processes) and EU-wide standardisation (at least per commodity and per quality, though ideally irrespective of end-use sector)
 - Choice for producers, suppliers and consumers of energy about how they use GoOs or certificates contractually (including whether or not they link these instruments evidencing attributes to the energy carrier as a commodity within their overall transactions);
 - Choices for Member States about how they use GoOs or certificates to:
 - i. Substantiate their attainment of RES and or low carbon energy targets set by the European Commission;
 - ii. Justify the content of their periodically submitted National Energy and Climate Plans;
 - iii. To verify claims made by producers and suppliers for financial support under RES and/ or low carbon energy national promotion schemes or carbon pricing schemes;
 - iv. To be redeemed against green or low carbon national sectoral supply quotas (if such are introduced).

Power Purchase Agreement (PPA)

We highlight that EFET is very active in promoting the PPAs' uptake: we have developed our EFET standard Corporate Power Purchase Agreement (CPPA)³ available for free to all market participants. As for the already existing EFET Master Agreement, which stipulates the conditions upon power and gas contracts of purchase/sale negotiated bilaterally, the CPPA standard is already providing for legal certainty and ensuring smooth operational processes.

² See [EFET response to GME consultation 01/2020 on the PPA Platform](#)

³ See [EFET Corporate Power Purchase Agreement documentation](#)

The standard contains credit clauses enabling the management of counterparty risk. The EFET CPPA standard has been translated into Italian, Spanish and Polish, accompanied by Guidance Notes specifically developed for the Italian, Spanish and Polish PPA markets. The standard agreement provides the corporate buyers and renewable energy producers with the necessary tools to address regulatory uncertainty and minimise credit and counterparty risks. The CPPA standard is already playing an essential role in unlocking both new renewables projects in several Member States and the potential of corporate sourcing in different countries.

Overall, EFET is one of the most appropriate stakeholders to be involved in future discussions and we will be happy to provide our expertise on the subject.

Biomethane GoOs registry

With reference to Footnote 35 related to biomethane production through green hydrogen methanation, we urge GSE to provide further information on developments concerning the consultation on the GoOs registry for biomethane, pending since Q1 2020.

Revision of the GSE's "Portale" and technical issues with GoOs registry

Due to the increasing complexity of the GoOs system, we consider as necessary the revision of the GSE's "Portale" in order to solve the emerging issues related to the data management and the possibility to interact with the system administration (in case of incoherence of the information submitted). Hence, we recommend launching a specific discussion on this topic, preferably through a working group open to operators who are facing these problems.

Therefore, we take the opportunity to express our concerns regarding the correct functioning of the current GoOs IT infrastructure and to report some technical issues which our associates have experienced during the IGO qualification phase and the GoOs management, especially the cancellation phase.

Furthermore, our associates highlighted the difficulty to reach the GSE in case of technical problems and the delay in processing the IGO qualification request, which often exceeds the 60 days limit envisaged by the regulation. Our associates have also encountered barriers when transferring GoOs to other EU GoOs registries: cross-border tradability is one of our EFET core principles and it should not be hindered by technical issues.

We encourage GSE to seek opportunities to improve the efficiency of the whole process in order to guarantee a reliable management of GoOs in the future, taking into consideration the expected growing load of requests with the uptake of renewables.

Proposals for the public consultation

Below we have provided our feedback to the questions proposed by the consultation document.

Q1: Do you agree with the extension of the role of end user of renewable energy outside the PPAs as referred to in Article 18 of the Ministerial Decree 4 July 2019?

As EFET, we believe that GoOs are a reliable instrument to track and prove to consumers that a given share of electricity supplied to their home or business comes from renewable sources.

The European GOs market works well and we doubt that moving away from the rules observed in the rest of the EU would benefit the Italian market in light of the general principles listed above and that we support.

More specifically, we seek further clarification on the interpretation of Article 19, paragraph 1 of Renewable Energy Directive (RED II), which according to Footnote n.12 would allow final consumers of renewable energy to cancel GoOs. If so, the role of end users should not be limited to parties involved in PPAs as referred to in Article 18 of the Ministerial Decree 4 July 2019, in order to allow all end users to take advantage of this possibility.

In general, we raise some concerns with respect to the risk of putting unnecessary limitation to the definition of what a PPA might be – necessary for the “*Qualifica PPA*” – or creating artificial benefits of pursuing a specific way or format to enter into a PPA (for instance when entering into one via the PPA Platform), as this might create a discriminatory situation.

GoOs, as they exist and are traded today, are in our mind a sufficient tool to disclose the “green” qualities of electricity consumed.

Q2: Is it considered appropriate to use ad hoc trademarks or attributes to appropriately manage the GoOs cancelled by end users in the disclosure process?

Despite opening GoOs market to end users could represent a potential opportunity, we believe that cancellation by end users could also have an impact on the disclosure process, which needs to be taken into account. In any case, we ask for more details related to the proposal, namely regarding its implementation within the existing framework for the GoOs.

Q3: Is it useful to introduce an attribute identifying the GoOs associated with renewable energy contracted as part of a PPA at the time of the issue of such certificates? For what purposes?

The risk of doing so is that one would need a definition of PPA sufficiently large but inevitably incomplete of what a PPA is, something which is better and more efficiently left to the market. The focus should be on the green features of the electricity consumed (or self-consumed) and not on where and/or how such electricity is produced and/or traded. As a matter of fact, PPAs are good only in so far as they help lifting renewable projects. They are not a commercial arrangement good to pursue per se.

Certificate of Excellence

Q4: Is it considered useful to be able to take advantage of a Certificate of Excellence which certifies, at an institutional level, the degree of sustainability of the energy consumption of end users, e.g. companies engaged in reducing the environmental impact resulting from their economic activity, or is it believed that these initiatives should be left to the market on a voluntary level?

Q5: Is the "greenwashing" phenomenon a widespread practice in the market? If so, what could the Public Administration do to prevent it?

Q6: Would end users, as defined in chapter 7 of these Procedures, be willing to provide information on their energy withdrawals and electricity supplies to obtain the Certificate of Excellence?

Q7: Do you think it is appropriate to provide additional elements to complement the information data to be taken into consideration to assess the level of energy sustainability of an end user?

Q8: As part of the National Action Plan on green procurement by the Public Administration, could the Certificate of Excellence be used as proof of the sustainability of the Public Administration's strategies for the purchase and consumption of energy?

No comments.