

To: all CERT obligated energy suppliers

Promoting choice and value for all gas and electricity customers

Your Ref:

Our Ref:

Direct Dial: 020 7901 7063

Email: steve.mcburney@ofgem.gov.uk

Date: 3 December 2010

Dear

CERT: the accreditation of CFLs – requirement to conduct monitoring exercise

The Carbon Emissions Reduction Target (CERT) requires certain energy supply companies to deliver carbon emissions reductions from domestic premises within Great Britain. It is provided for in the Electricity and Gas (Carbon Emissions Reduction) Order 2008 (as amended) (the Order). Under the CERT obligated energy supply companies promote energy efficiency measures to domestic consumers. A key requirement of the CERT is that measures are installed and the carbon savings associated with them realised. Ofgem E-Serve administers the scheme on the Government's behalf.

Under this scheme the suppliers have since April 2008 promoted more than 250 million CFLs and continue to do so under arrangements with retail project partners. Ministers along with a number of stakeholders are concerned about this high volume of lamps distributed by the suppliers. Indeed in his statement to Parliament on 30 June 2010, Greg Barker, Minister for Energy and Climate Change, stated:

"We will introduce a complete ban on the subsidy of compact fluorescent lighting, thereby ending the farce of people having cupboards full of light bulbs which save no energy at all. ... The bottom line is that if one has a finite pot of money to spend, light bulbs do not represent the most efficient way to save energy or carbon."

One of E-Serve's functions under the Order is to determine the reduction in carbon emissions to be attributed to the actions completed by the suppliers. On the basis that the current retail CFL activity is due to end on 31 March 2011, we will make the determination for the supplier retail CFL schemes in spring 2011. This determination, to date, has been based on the assumption that all CFLs promoted through retail outlets would be installed.

In our guidance, published in September 2009, we stated that:

"Monitoring will not be required for retail CFL schemes as it is assumed that the consumer making the decision to purchase CFLs will install and use them."

However, in light of the concern about whether the lamps being promoted are not being installed, we are writing to inform you that we will no longer base our determination on this assumption. To test whether this assumption is correct, between January and March 2011, we will require that the energy companies monitor retail CFL activity, perhaps through a telephone survey; we will be in touch with you to finalise the details for providing the evidence needed to make our determination. We intend to base our determination of the emissions reduction by CFLs promoted between 1 January 2011 and 31 March 2011 taking

The Office of Gas and Electricity Markets

9 Millbank London SW1P 3GE Tel 020 7901 7000 Fax 020 7901 7066 www.ofgem.gov.uk

account of the results of this monitoring: ie if the monitoring results suggest less than 100 per cent are installed, then we will require suppliers to deduct the appropriate per cent from the total sales before submitting their data to us.

I would welcome your views and if you have any comments please submit them by 21 January 2011.

Yours sincerely

Steve McBurney
Head of Energy Efficiency