

The EEC 2005 - 2008

The overall target for the EEC 2005 – 2008 is 130 TWh. This target was set by Defra and Ofgem was required to apportion it to suppliers in relation to their customer numbers. The EEC 2005 – 2008 officially began on 1 April this year, however the suppliers were able to begin new EEC schemes from January this year, after their targets had been set.

Progress against the new targets

As detailed above, 25 per cent of the EEC 2005 – 2008 target has been met through suppliers exceeding their EEC 2002 – 2005 targets and carrying forward these measures. Around 90 new schemes have been notified to Ofgem since January. These schemes predominantly focus on the provision of insulation measures direct to consumers and in partnerships with social housing providers.

In the initial stages of the EEC 2005 – 2008, suppliers have concentrated on continuing many of their successful partnerships with social housing providers and retailers.

Retail partnerships generally involve marketing and subsidising lightbulbs and appliances. Some suppliers have also started to partner with manufacturers to subsidise A rated condensing boilers.

Ofgem does not collect information on the costs of the measures the suppliers provide or the subsidies that they are offering to consumers. For information on how you can benefit from the EEC, contact the suppliers directly (their details are on www.ofgem.gov.uk) or use the Energy Saving Trust's Grants Information Database (www.est.org.uk).

Innovative measures: At the end of September Ofgem plans to publish its decisions on the definition of 'innovative action' under the EEC by quantifying what is considered to be a 'significant' improvement in energy efficiency.

In the next EEC Update, Ofgem will provide further analysis on the supplier's delivery against their new EEC targets.

If you have any comments or suggestions on the information provided within the EEC Update, we would be happy to hear them. Please email your thoughts to eec@ofgem.gov.uk

Energy efficiency team



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Ofgem is the Office of Gas and Electricity Markets, regulating the gas and electricity industries in Great Britain. Everything Ofgem does is designed to protect and advance the interests of consumers present and future.

We do this by:

- promoting effective competition, wherever appropriate
- regulating only where necessary.



The Energy Efficiency Commitment 2002 – 2005 is now complete



From left to right: Richard Sykes EDF Energy, Charles Hargreaves Ofgem, Jackie Jones of Defra, Virginia Graham Ofgem, Kate Smith Ofgem, Tony Hardiman of Dyson Insulation

Energy Efficiency Commitment - Key Facts:

Over the three years:

- All solvent suppliers achieved their targets
- A total of 86.8 TWh has been delivered over the last three years
- The overall target was exceeded by 40 per cent
- Six suppliers carried over their excess savings towards their new EEC targets
- This equates to 25 per cent of the EEC 2005 – 2008 targets already achieved

The EEC sets targets on energy suppliers to achieve improvements in energy efficiency by providing energy efficiency measures to households across Great Britain.

The EEC is primarily a carbon saving programme and as such is part of the Government's Climate Change Programme. To ensure that the benefits of energy efficiency are shared equally amongst consumers, at least half of the energy savings must be targeted at the "Priority Group" – households in receipt of certain income-related benefits or tax credits.

Through this the EEC also contributes to the Government's Fuel Poverty Strategy. Suppliers have flexibility in the types of energy efficiency measures that they provide to customers, such as insulation, lighting, appliances and heating measures. These measures can also be promoted and delivered with a range of project partners such as social housing providers, charities, retailers and manufacturers. Suppliers can assist any domestic customer in Great Britain,

whether their home is heated by gas, electricity, coal, oil or LPG.

The target for the EEC 2002 – 2005 ('EEC 1') was 62 TWh. The energy saving target for the EEC 2005 – 2008 ('EEC 2') was set by Defra at the end of last year. Defra plans to review the EEC by 2007 before setting a target for the period 2008 – 2011. Ofgem is responsible for administering the EEC.

The obligated suppliers are required to provide progress reports each quarter to indicate the energy savings each of their schemes has achieved and is forecast to deliver. This data is used to compile the EEC Update.

Further information on the delivery of EEC 2 will be provided in the October EEC Update.

Supplier compliance

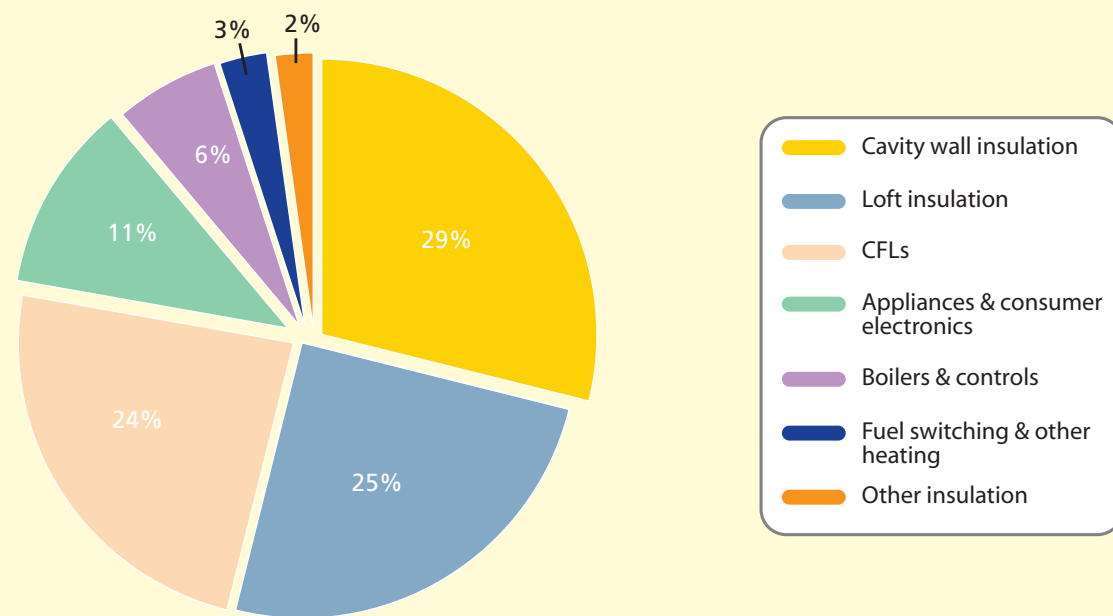
Twelve supplier groups were set a target under the EEC: Atlantic Electric and Gas, British Gas, Cambridge Gas, Dee Valley, EDF Energy, npower, Opus Energy, Powergen, Scottish and Southern Energy, Scottish Power, Telecom Plus and TXU Energi.

All suppliers met their EEC targets, with the exception of TXU Energi, which went into administration in 2002, and

Atlantic Electric and Gas, which went into administrative receivership in 2004. Because of this there has been a slight shortfall in meeting the target. 61 TWh counts towards the final EEC 2002 – 2005 target and at least 50 per cent of this was achieved in Priority Group households.

Supplier activity

Chart 1: Energy savings, as a percentage of the total achieved, by measure type



As shown in **Chart 1**, insulation, particularly cavity wall and loft insulation, dominated the EEC programme, contributing 56 per cent to the total savings achieved. The majority of insulation measures were installed in Priority Group households (as shown in **Chart 2**), mainly through partnering with social housing providers (SHPs).

Partnerships with SHPs led to 60 per cent of all insulation measures and enabled suppliers to lever in funds and provide smaller measures, or less cost effective measures as part of a package.

Solid wall insulation, for example, was installed in over 23,000 social housing properties. Interaction with the Government's Warm Front programme also made an important contribution to the provision of insulation to Priority households.

For other households, suppliers have generally promoted insulation measures direct to consumers. Some suppliers ran successful partnerships with retailers to subsidise DIY loft insulation, with around 400,000 households benefiting.

(Supplier activity continued)

Nearly 40 million CFLs (Compact Fluorescent Lightbulb) have been distributed over the last three years, 60 per cent of which have been provided for free to Priority households. If each Priority household received four CFLs for free, the maximum number permissible, 6 million households would have benefited. The majority of CFLs were distributed by the suppliers direct to their consumers or in partnership with SHPs, charities and other Government programmes. Retail partnerships accounted for 10 per cent of CFLs delivered under the EEC.

Appliances, mainly energy efficient white goods, contributed 11 per cent to the total savings achieved as shown on **Chart 1**.

The vast majority of the 6.5 million A rated cold and wet appliances delivered under the EEC were sold through retailers across Great Britain. Non-priority households received 80 per cent of these appliances. Suppliers also explored subsidising consumer electronics in partnership with retailers and manufacturers.

9 per cent of the total savings achieved were through heating measures, generally provided to non Priority or able-to-pay households. A or B rated boilers were installed in over 300,000 dwellings over the three years.

Suppliers also promoted fuel switching in 40,000 homes, many of which were in partnership with SHPs. A small amount of ground source heat pumps were also subsidised.

In order to meet the overall target, suppliers had to achieve at least 31 TWh in Priority Group households. The line on **Chart 2** shows the energy savings that needed to be achieved in the Priority Group and other households in order for the suppliers to meet their targets. The suppliers have clearly exceeded their EEC targets.

Chart 2: Energy Savings by measure type delivered to Priority and non-Priority consumers

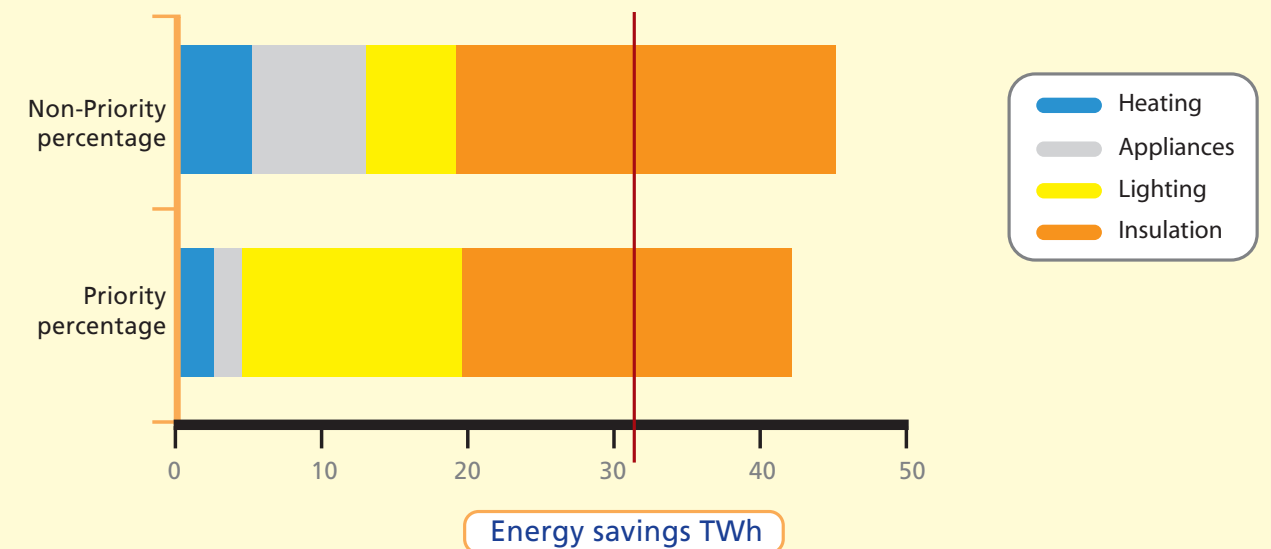


Chart 3: The numbers and types of measures installed and the resultant energy saving achieved

Measure	Number of measures installed		Energy savings (GWh)
	Priority Group	Non-Priority Group	
Cavity wall insulation	441,213	350,311	25,069.271
Loft insulation (top up)	343,467	185,029	4,138.786
Loft insulation (virgin)	142,361	83,884	9,696.905
DIY loft insulation (m2)	1,999,548	13,979,819	8,101.492
Draught stripping	15,516	7,227	38.561
Tank insulation	98,650	97,182	433.501
Radiator panels (m2)	27,574	11,304	13.392
Solid wall insulation	17,352	6,378	972.597
Other insulation	617	2,008	21.145
Energy efficient cold appliances	589,357	2,366,727	7,381.189
Energy efficient wet appliances	671,693	2,880,044	2,260.324
Other appliances	19,932	73,905	42.496
A and B rated boilers	104,364	174,627	2,361.905
A and B rated boilers with heating controls	22,769	64,728	1,233.475
Heating controls upgrade	631,711	1,734,417	1,220.49
Fuel switching	20,432	20,645	2,763.325
CHP/Communal heating*	403	212	39.037
Other heating	126	76	4.663
CFLs	24,203,630	15,533,940	20,976.794

*Number of households benefiting

Chart 4: The energy savings achieved by measures type: the total delivered and the total counting towards the target following carry over

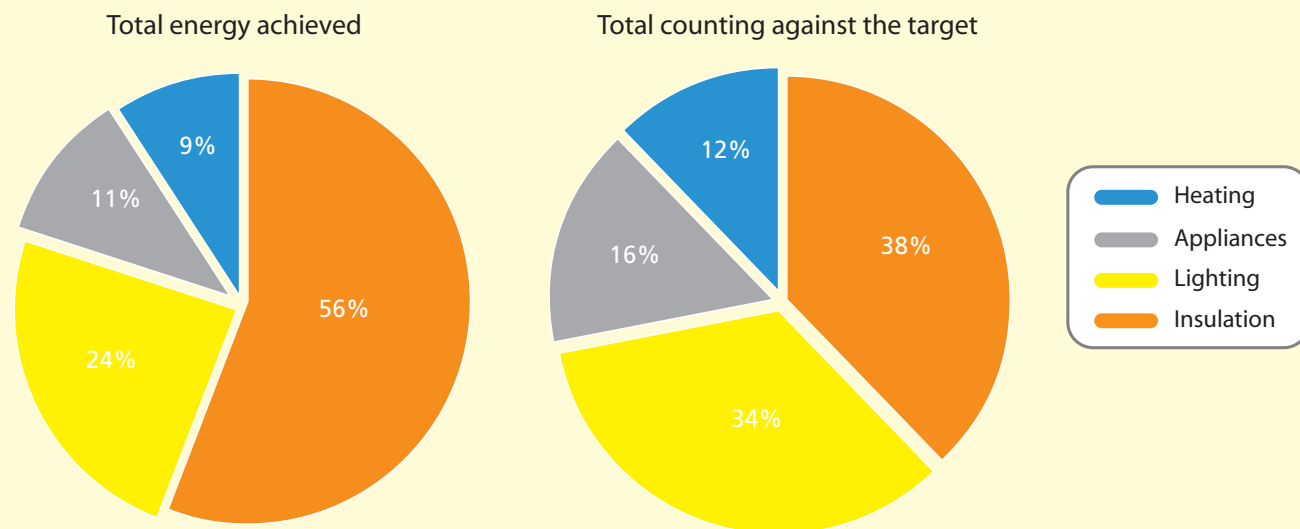
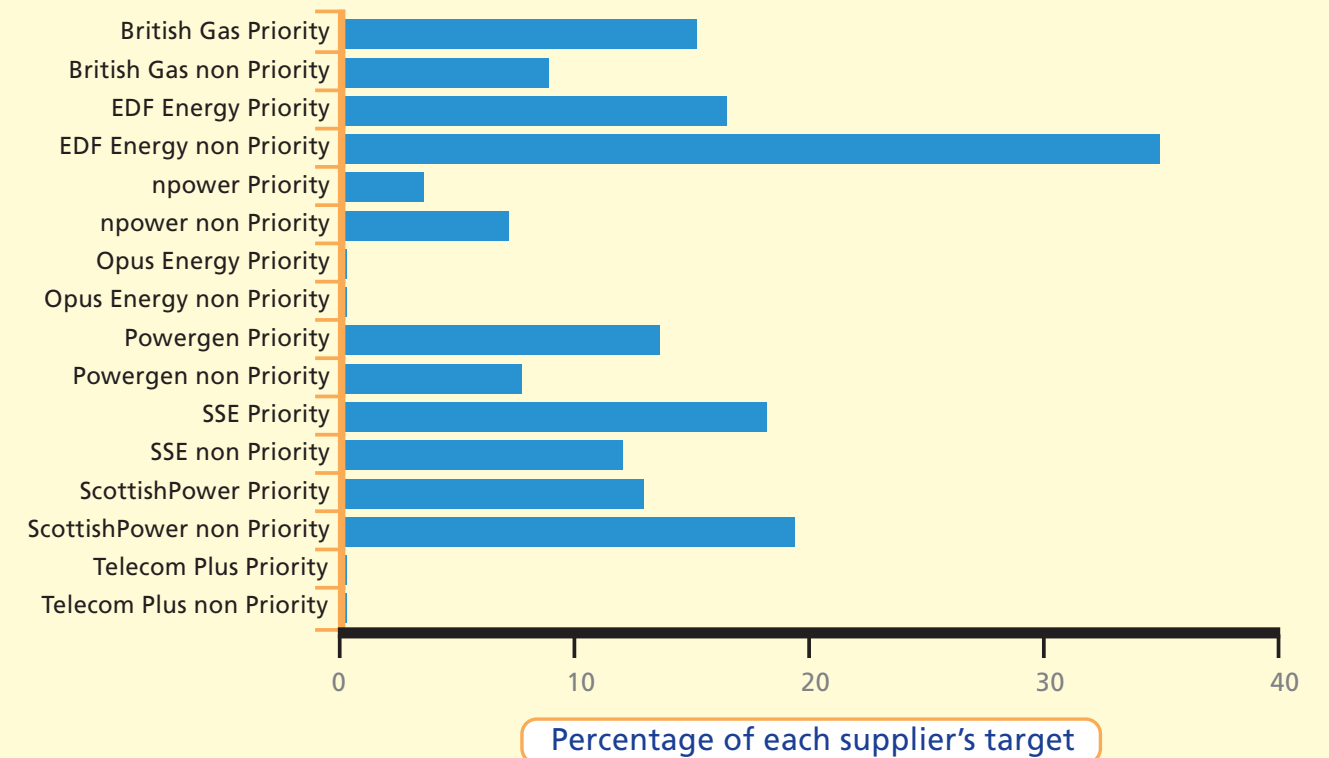


Chart 5: Energy savings carried over from EEC 2002 - 2005 to EEC 2005 - 2008 by supplier as a percentage of each supplier's target



The transition to the EEC 2005 – 2008

The Government's Energy White Paper, April 2003, announced its intentions to double the scale of the EEC for a further six years, with a target set in 2005 and again in 2008. Defra also committed to the companies that they would be allowed to carry over as much energy efficiency activity from the EEC 2002 - 2005 to the EEC 2005 - 2008. This provided regulatory certainty for the companies to bring forward their energy efficiency activity.

The total energy savings achieved by suppliers over the three years 2002 - 2005 was 86.8 TWh, which means that the overall target was exceeded by 40 per cent.

In devising its target-setting model for the EEC 2005 – 2008, Defra reviewed some of the data and assumptions used. This work had the result of increasing the energy savings attributable to insulation measures. Conversely, the savings accredited to lighting, appliances and heating measures have decreased compared with the EEC 2002 – 2005.

As a consequence, the six suppliers who exceeded their targets chose to carry over insulation activity, predominantly loft and cavity wall insulation. Some suppliers have also transferred other measures so that they can be considered innovative under the EEC 2005 –

2008. These measures are A+ rated cold appliances, ground source heat pumps and consumer electronics.

As these measures no longer count against the EEC 2002 – 2005 targets, they could be considered innovative and receive an uplift in the energy savings accredited. The suppliers' carry over has an effect on the mix of energy savings counting towards the target, with the result that less insulation is attributed to the EEC 2002 – 2005 than was actually achieved.

Chart 4 shows the proportion of the total energy savings achieved by the EEC which have been delivered by insulation, lighting, heating measures and appliances. The pie chart on the right shows the proportion of the energy savings counting towards the target, following the carry over of the excess measures. The contribution from insulation measures has decreased and the contribution from the other measure types has increased accordingly.

Chart 5 details the percentage of each supplier's EEC 2005 – 2008 target which has been achieved through carrying over measures from the EEC 2002 – 2005. The energy savings transferred equate to 25 per cent of the EEC 2005 – 2008 target.

Ofgem's Energy

Efficiency Summit

The Energy Efficiency Summit was held on 2 August to launch Ofgem's Review of the EEC 2002 – 2005, produced for the Secretary of State.

The Review details each supplier's activity in meeting its targets, the types of measures delivered and how they were promoted. It concludes by identifying the emerging issues as the EEC post 2005 gets into full swing.

The summit was attended by forty representatives from Government, the suppliers, the industry and a range of other interested organisations. Virginia Graham chaired the meeting. Kate and Charles who have been responsible for overseeing the EEC over the last three years opened the meeting by presenting the suppliers' activity and discussing the emerging issues. Tony Hardiman, Chairman of the National Insulation Association, presented his

perspective of the EEC, bearing in mind that 80 per cent of the energy savings for the EEC 2005 – 2008 are expected to result from insulation. Richard Sykes from EDF Energy conveyed a supplier's view, considering the challenges ahead.

Finally, Jackie Jones, Head of Sustainable Energy Policy at Defra provided the Government's perspective on the role of the EEC ahead of Defra's review of the EEC in 2007.

Copies of the presentations given at Ofgem's Energy Efficiency Summit are now available on Ofgem's website at www.ofgem.gov.uk



Delegates at Ofgem's Energy Efficiency Summit



From left to right: Charles Hargreaves and Virginia Graham, Ofgem



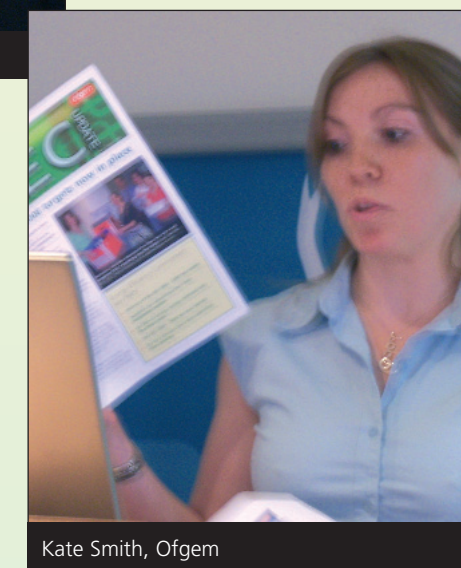
Delegates at Ofgem's Energy Efficiency Summit



From left to right: Kate Smith, Charles Hargreaves and Virginia Graham, Ofgem



Charles Hargreaves, Ofgem



Kate Smith, Ofgem

Ofgem's EEC Review 2002 – 2005 is available on its website, www.ofgem.gov.uk.

Hard copies can be ordered by contacting the Distribution Centre, distribution@ofgem.gov.uk or by telephone 020 7901 7116.