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27 May 2005

Dear Charles

Energy Efficiency Commitment 2005-2008 - Innovative Action Consultation Document (April 2005)

EDF Energy welcomes the inclusion of potential incentives to support the development of innovative actions under the Energy Efficiency Commitment and also the opportunity to comment on the consultation document circulated by Ofgem in April 2005.

In general, we consider that Ofgem's approach seems reasonable and practical, providing the potential (although challenging) for existing EEC measures and new approaches to evolve in the future.

We support the initiative taken, which appears to favour the most logical approach (a significantly greater improvement) with regard to assessment criteria, in that each type of measure/technology will be assessed on a threshold improvement basis (section 3.7, 3.8).

The >20% improvement (typical threshold) will be particularly difficult to achieve and, as recognised by Ofgem, for some measures like loft insulation is most unlikely to be achieved, given that available materials and standards are as efficient as they can be at this time.

Whilst technically it may be possible to introduce new products (say, new cavity wall fill material with improved 'k' value, or external wall insulation), the increased cost might be a prohibiting factor to its general use and so the innovation approach proposed may go some way to mitigate this impact.

We note that there is potential scope for uplift using heat pump and large scale CHP and that these options will be assessed for eligibility on a scheme by scheme basis.

Regarding appliance schemes, we have previously expressed concern that the removal of uplift factor of 1.6 for EEC2 may have been premature and may reduce active support to this sector by energy suppliers.

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There is little doubt that the market has been transformed but the positive trend in consumers purchasing more energy efficient appliances needs to continue.

Whilst A+ rated models have been available since July 2004, the quantities available have been in too few numbers to make sufficient impact and we believe that the threshold for innovation uplift should be A+ and not A++, as suggested for cold appliances.

This could be critical for the ongoing development of the refrigeration market, which has seen more success than any other in terms of genuine market transformation.

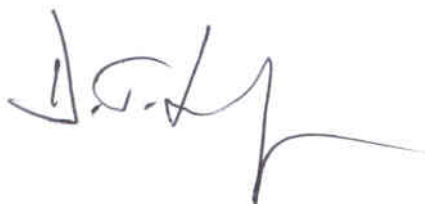
We believe that there should also be provision to include wet appliances under the "innovation" approach but understand they have not been included as part of the base accreditation model. We would welcome clarification on this point.

In summary, we are pleased with the initiative taken by Ofgem, which should encourage innovation, but there must remain a doubt in view of the approach taken in establishing minimum threshold(s) for improvement.

Clearly, we recognise that this point has to be established at the outset but would suggest it is periodically reviewed in the light of whether or not successful innovation projects have been implemented.

If you have any queries on this response, please contact Richard Sykes on 01273 793962 or myself.

Yours sincerely

A handwritten signature in black ink, appearing to read 'D. Linford', with a long horizontal flourish extending to the right.

Denis Linford
Director of Regulation