Response of the Insulation Industry to Ofgem's Consultation on Energy Efficiency Commitment (EEC) 2005-8 Innovative Action

Introduction

The National Insulation Association (NIA) and the Cavity Insulation Guarantee Agency (CIGA) have consulted widely to produce this joint submission which represents the views of the insulation industry. We recognise that Ofgem has to work under constraints laid down from Defra and as many of our comments relate to restrictive nature of the definition and "the one size fits all" approach to incentive factors, we have also copied this submission to Defra as well.

General Considerations

We strongly support the use of incentive factors in EEC to encourage market transformation. As has already been exemplified in EEC1, such incentive factors can apply either to new technologies (e.g. A rated appliances) or to innovative approaches to delivering energy efficiency in a more significant fashion (e.g. Energy Services).

However we have reservations on two key principles affecting the introduction of innovation factors in the future as outlined in the Ofgem Consultation. These are the narrow definition which applies to "innovative action" and the "one size fits all" approach. These are discussed in the sections below.

Narrow Definition of Innovation

The Ofgem Consultation proposes some sensible, if certainly in the case of cavity wall insulation, somewhat daunting targets for technical improvements to measures. However the precedent has already been set within EEC that it is not simply a technical solution that is being looked for. For example, under the Energy Services approach there is no technical improvement whatsoever but it is hoped that a much wider range of energy efficiency measures will be installed and some of the barriers to the installation of energy efficiency in the homes will be overcome. We strongly support such approaches and believe that **the true measure of innovation is that it results in a transformation of the market place by overcoming the barriers that exist to the uptake of energy efficiency by households either through technical performance, cost reduction, design or innovative service.**

To illustrate this by way of examples, we believe that if solid wall properties would benefit considerably if there were technical innovations such that the insulation effectiveness remained much the same as existing materials and processes, but that the cost could be expected to significantly reduce over the today's prices if sufficient volumes could be attained. Our understanding of the arguments proposed in the Consultation is that this would not be eligible for inclusion by Ofgem. Nevertheless as this remains one of the great energy saving opportunities in the UK housing stock (7 million properties), then we believe that it would be strange to omit any technical solution which could offer to dramatically increase the uptake of external wall insulation. By analogy, innovative internal cladding which offered the same performance and costs but without sacrificing as much internal space as happens at present might well give a further impetus to this form of insulation.

One Size Fits All

Again we understand why Ofgem is constrained to consult on a 50% uplift factor being the only option available. However precedent has already been set in EEC1 whereby energy services had a 50% uplift and energy efficient appliances had a 60% uplift. Our view is that it would be desirable to review each innovation (whether technology or overcoming barriers through price or market route) on a case by case basis as some innovations may not require as much support as 50% and others may require (initially at least) more than 50%.

We strongly believe that each case should be decided on its merit in terms of the stage of market penetration, the difference in the current costs and long term costs expectation, the importance to the overall energy saving of the UK etc, etc. While the 50% solution for all has the attractions of simplicity, it may well result in being too generous for certain measures and insufficiently generous for other energy efficiency solutions which have the potential to transform the market significant.

Other Comments

- The listing of cellulose fibre as a cavity wall insulant in Appendix 1 should be removed.
- In your Section 5.22, the use of cavity wall with a product that has a lambda of 0.023W/mK looks to be ambitious. We believe that the figure is in fact a typographical error and it should read 0.032 rather than 0.023.