

27 May 2005

Charles Hargreaves
Head of Energy Efficiency
Ofgem
9 Millbank
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Dear Charles

Energy Efficiency Commitment 2005-2008 Innovative Action

Warm Zones Ltd. (WZL) welcomes the opportunity to comment on the proposals for the development of innovation within the Energy Efficiency Commitment (EEC) 2005-2008.

Since 2000, WZL a wholly owned subsidiary of the national energy efficiency charity, National Energy Action (NEA) a social enterprise, not-for-profit Company limited by guarantee, has coordinated the delivery of major Warm Zone based energy efficiency schemes. This activity has involved energy efficiency and fuel poverty assessments on almost 400,000 homes and the coordinated delivery of a range of energy efficiency and income maximisation improvements to over 200,000 homes. WZL is well positioned to comment on the innovation action proposition and how it could be shaped to best support the energy efficiency needs of all households, including those on low-income.

Our overall view is that the EEC2 framework needs to both stimulate and target innovation rather than being just a continuation of the basic EEC1 principles. In delivering EEC2, energy suppliers will continue to be driven to minimise the cost of compliance which will continue to concentrate activity largely on basic cavity wall and loft insulation in the easier to fix non rural areas.

The objectives of specifically helping lower income households and the fuel poor have not been adequately addressed as EEC2 contains few incentives to help hard to treat or off mains gas households. The absence of any realistic approach which would encourage the delivery of measures to older homes, solid wall, (even in London a third of all homes have no cavity wall) system built and high rise dwellings and a whole house energy efficiency solution, including heating, is still required.

WZL suggests that consideration be given to introducing a specific target for all suppliers to deliver? 5% of targets from innovation based activity targeted at currently excluded harder to treat homes. The “energy efficiency improvement” criteria could be lower than that proposed in the innovation action consultation proposal for the general market, say a 10% improvement to attract a 50% uplift in the suppliers carbon saving.

This approach would kick start product development and market investment activity that may not achieve a 20% improvement initially and ensure that all suppliers actively participate in the process and don’t just take a passive position. As soon as a product reached a higher “improvement efficiency” of say 20%, like A rated appliances, this could be introduced to the full energy efficiency market with no uplift after an agreed period. Your final proposals need to be specific on the period that any uplift is to be applied, i.e. March 2008 only or beyond

This would help stimulate market transformation and secure supplier action, increase carbon savings in the non traditional homes sector (harder to treat homes both urban and rural), and help to reduce fuel poverty and address some of the wider issues associated with social exclusion.

Other observations on your consultation are:

1. The logic of having clear challenging thresholds is supported across the market place. The overall analysis indicating where significant greater improvement may be exposed in future appears reasonable.
2. But the 20% plus criteria may choke off some worthwhile product development and innovation thus the suggestion for a 10% “energy efficiency improvement obligation “ against targeted harder to treat homes, with an obligation on suppliers to participate.
3. Clear processes and timelines need to be in place for accreditation of all “innovative products”
4. Simple Lighting and Appliance Controls should be encouraged if such innovation is able to deliver significant gains.
5. Small Domestic Wind Turbines / and other localised electricity generation should be addressed, i.e. what treatment would OFGEM consider appropriate for “innovation led energy efficiency substitution improvements”. Clearly this may substitute for non fossil fuel supplied generation anyway.
6. I assume standards will be clearly established as part of OFGEM approval and that these requirements will then be made public, for items such as the temperature and usability of hot water / heat generated via various innovative products.

7. We support the principle that all innovative products must be able to deliver real benefits.
8. Clarification of OFGEM intent regarding innovation on energy efficiency improvements within the Brown Goods sector may be useful.
9. There is a real risk that some innovation may simply saturate the market with an accredited product that like CFL's which may not actually be used, so not actually deliver accredited savings. Ofgem should continue to approve schemes with this risk in mind.

If you require any further information or wish to discuss the content of this response or if you have any additional requirements please do not hesitate to contact me.

Yours sincerely



General Manager, Warm Zones Limited