

# EEEC UPDATE

Issue 16/May 2006



From left to right: William Gillis, NEA, Charles Hargreaves, Ofgem, and Andrew Warren, ACE, at Defra's seminar on the EEC post 2008.

Under the EEC 2005 –2008:

- **Supplier activity grew by 40 per cent over the winter period**
- **Almost 60 per cent of the target has now been achieved**
- **Further targeting of the Priority Group is required**

## The first year of the EEC 2005-2008

**The EEC 2005 - 2008 sets targets on energy suppliers to achieve improvements in energy efficiency by providing energy efficiency measures to households across Great Britain.**

The EEC 2005 - 2008 is primarily a carbon saving programme and, as such, is part of the Government's Climate Change Programme. To ensure low income consumers who pay a larger proportion of their income into the scheme get a larger share of the benefits, 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 help

any domestic customer in Great Britain, whether their home is heated by gas, electricity, coal, oil or LPG.

The first phase of the EEC (EEC1) ran from 2002 to 2005. Ofgem's review of this programme is available on our website at [www.ofgem.gov.uk](http://www.ofgem.gov.uk)

The energy saving target for the EEC 2005 - 2008 (EEC2) was set by Defra at the end of 2004. The target is 130 TWh, roughly double the target set for EEC1. 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.

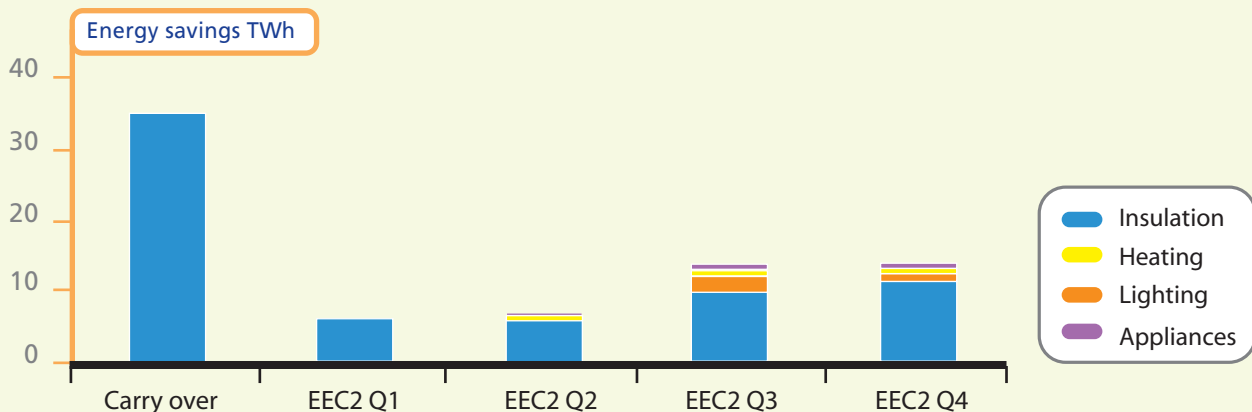
## One year into EEC 2

Suppliers have been working towards their EEC 2 targets for over a year now. During this period suppliers have delivered sufficient measures to save 40 TWh.

**Chart 1** shows that the suppliers' activity gradually increased over the first nine months, from April 2005, and that their delivery was quite steady over the winter period, October to March. The suppliers that exceeded their EEC 1

targets were able to carry over their excess measures into the current programme. This carry-over equates to 35 TWh, as shown in **Chart 1**, and means that in total suppliers have achieved 75 TWh, or almost 60 per cent of the EEC 2 target.

**Chart 1:** Energy savings counting towards the EEC 2 targets



### Measures delivered

A small proportion of the EEC 1 carry-over included appliances, consumer electronics and ground source heat pumps. But these measures made a tiny contribution compared to the loft and cavity wall insulation that was carried forward.

The quarterly reports submitted by suppliers indicate the achieved savings for each of their schemes which have been approved by Ofgem. Quarter one activity shows that only insulation schemes were being run. This is because these schemes are generally quite standardised and so were approved before the other, more varied or innovative schemes which the suppliers had set up.

Including carry-over, insulation accounts for 91 per cent of the total energy savings achieved so far. Lighting contributes 4 per cent, with energy efficient lightbulbs sold via retailers and delivered for free to the Priority Group. Replacement boilers and heating controls provide 3 per cent of the energy savings achieved.

The heating category also includes a small amount of ground source heat pumps and communal heating systems. The sale of appliances such as fridges, freezers and dishwashers and of some consumer electronics make up the final 2 per cent of the energy savings achieved so far.

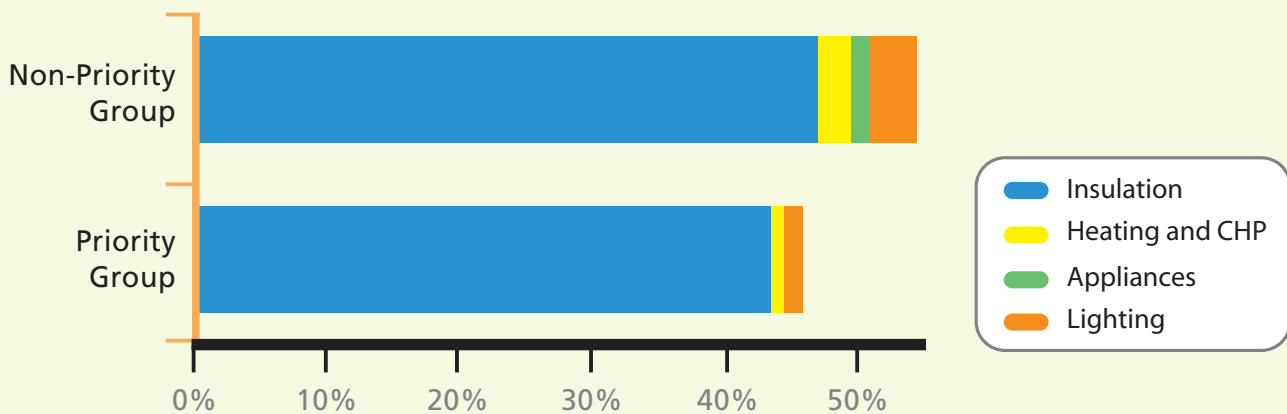
### Targeting the Priority Group

Suppliers are required to target at least 50 per cent of their energy savings at households in the Priority Group. So far, 46 per cent of the energy savings achieved have been in Priority Group households.

These low income consumers have benefited mainly from insulation measures and a small amount of heating and

lighting work. All of the appliances have so far been sold to non-Priority Group households. It is important to note that the energy savings in **Chart 2** include the carry-over from EEC 1, of which just over half was achieved in relation to the Priority Group.

**Chart 2:** Proportion of energy savings, by measure type, delivered to Priority and non - Priority consumers



**The scale of the suppliers' activity**

**Chart 1** indicates the suppliers' activity over the last year but doesn't tell us how this volume or range of measures compares to that under the EEC 2002 - 2005.

The energy savings attributed to measures was refined for EEC 2 compared with EEC 1. This means that the EEC 1 and EEC 2 activity is not directly comparable. However, it is useful to understand how the volume of energy efficiency activity has changed.

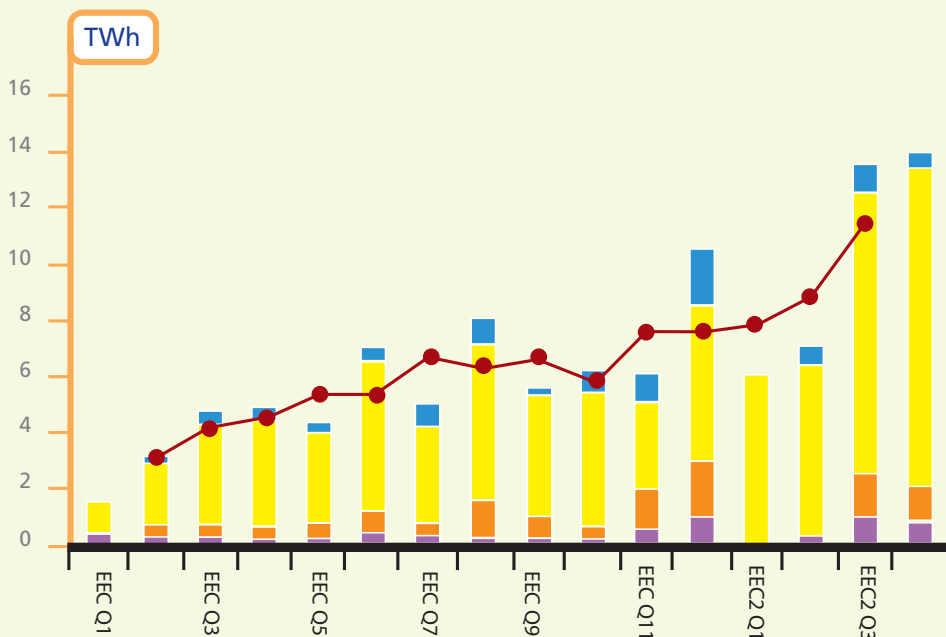
**Chart 3** shows the EEC 1 activity per quarter, adjusted to match EEC 2 energy savings. It is important to remember that the EEC 1 activity includes those measures which the suppliers carried forward to the current programme.

The rolling average shows how the suppliers' activity has increased over the last four years, and particularly over the winter period. The dip in activity suggested in quarters 1

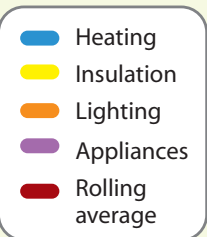
and 2 of the current EEC may be due to the fact that not all schemes were approved and so were not included in the initial quarterly reports.

Suppliers will need to deliver energy savings of around 7 TWh each quarter for the remaining two years to meet their targets. This is around 40 per cent lower than their current delivery rate. There is currently an imbalance between energy savings achieved in the Priority Group and non-Priority Group which suppliers will need to address in order to meet their targets.

Defra's Climate Change Programme Review (published in March) announced that suppliers will be allowed to carry forward unlimited activity from the current EEC to the EEC 2008 - 2011. This will influence the volume of the suppliers' activity over the next two years.



**Chart 3:** Energy savings achieved per quarter since April 2002: EEC 1 comparable with EEC 2



## The EEC post 2008

In March Defra held a two-day workshop to look at potential future approaches to energy efficiency in the household sector.

The aim was to discuss the EEC from 2008 - 2011 and how domestic energy efficiency policy can develop post 2011. Around 50 key stakeholders including Government, suppliers, the industry and other interested groups attended the event.



Photos kindly provided by the EEPFH



From left to right: Kaye Welfare, the Education and Community Group, Carsten Rohr, Defra, and Kate Smith, Ofgem, at Defra's seminar on the EEC post 2008.

Everyone played an active role in the workshops sessions which covered:

- the challenges and opportunities post-2008
- the potential for trading
- meeting social and equity objectives, and
- increasing flexibility and innovation.

The event was organised by the Energy Efficiency Partnership for Homes who have produced a report summarising the views and ideas put forward. Their report is available on the EEP website.

## Energy efficiency team

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