

EEEC UPDATE

Issue 17/August 2006



Attendees at the EEC Summit, 1 August 2006

Under the EEC 2005 –2008:

- **68 per cent of the target has now been achieved**
- **Priority Group savings account for 30 per cent of the target**
- **Insulation remains strong with 90 per cent of the achieved energy savings**

Progress towards the EEC 2 target

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

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.

The EEC Summit 2006

To launch the publication of the Annual Review for the first year of the the Energy Efficiency Commitment 2005 - 2008, Ofgem hosted an Energy Efficiency Summit on 1 August 2006.

The event was well attended with sixty delegates from groups such as the EEC obligated suppliers, insulation installers and a range of other interested stakeholders.

Cath Martindale from Ofgem welcomed the delegates and provided an introduction to the Summit. In his presentation to the group, Charles Hargreaves, Head of Energy Efficiency at Ofgem, spoke about the recently published EEC 2 Annual Review, highlighting the suppliers' progress in the first year and some of the emerging issues.

Richard Sykes, who is the Head of Customer Market Development at EDF Energy, provided a supplier's view of progress in EEC 2 as well as discussing the integration of EEC into core business and future opportunities for EEC 3.

Two presentations focussed on the broader issues coming out of the Energy Review and EEC 3. Jackie Janes from Defra explained the impact of the Climate Change and Sustainability Act, and the need for an early initial



From left to right: Jackie Janes, Defra, David Green, UKBCSE, Cath Martindale, Ofgem, Richard Sykes, EDF Energy and Charles Hargreaves, Ofgem.

consultation, on EEC 3. David Green from the UKBCSE (Business Council for Sustainable Energy UK) encouraged experimentation with more options leading into EEC 3. Healthy discussions followed each of the presentations with a number of interesting questions being posed.

Key facts from the Annual Review: A review of the first year of the Energy Efficiency Commitment 2005 - 2008

- To the end of the first year of EEC 2 the suppliers combined had achieved 60 per cent of the overall target.
- Of the activity to date roughly 46 per cent has been in the Priority Group, however, the level of activity in the Priority Group is buoyed by the amount of energy savings carried over from EEC 1. Excluding the energy savings that were carried over, only 40 per cent of the suppliers' activity in the first year of EEC 2 has been in the Priority Group.
- Supplier activity targeting the Priority Group has been dominated by the delivery of insulation measures. The range of measures being delivered to the non-Priority Group is more diverse, but still predominantly insulation.
- Roughly 80 per cent of the energy savings achieved to date have come from the installation of insulation measures.

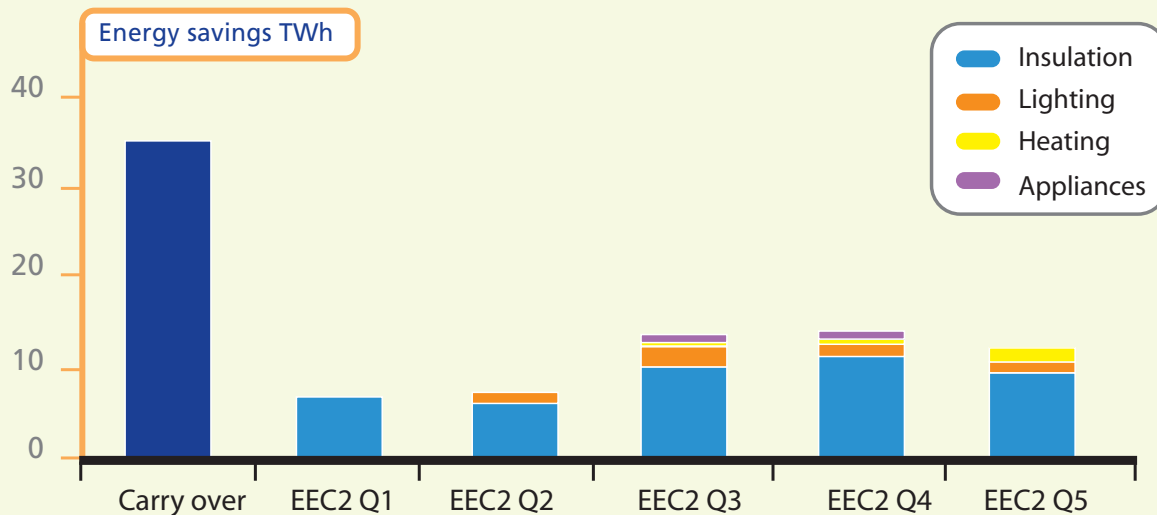
Copies of the Annual Review are available at www.ofgem.gov.uk, by emailing eec@ofgem.gov.uk or by calling 020 7901 7170

The first quarter of the second year of EEC 2

At the end of the fifth quarter, the suppliers have achieved 68 per cent of their overall target. As shown in **Chart 1**, the 13.6 TWh achieved in the quarter of 1 April to 30 June 2006 is slightly less than the immediately previous quarters, however it is well above the required energy

savings to be achieved each quarter. For the remainder of EEC 2 the suppliers must achieve at least six TWh per quarter to meet the overall target.

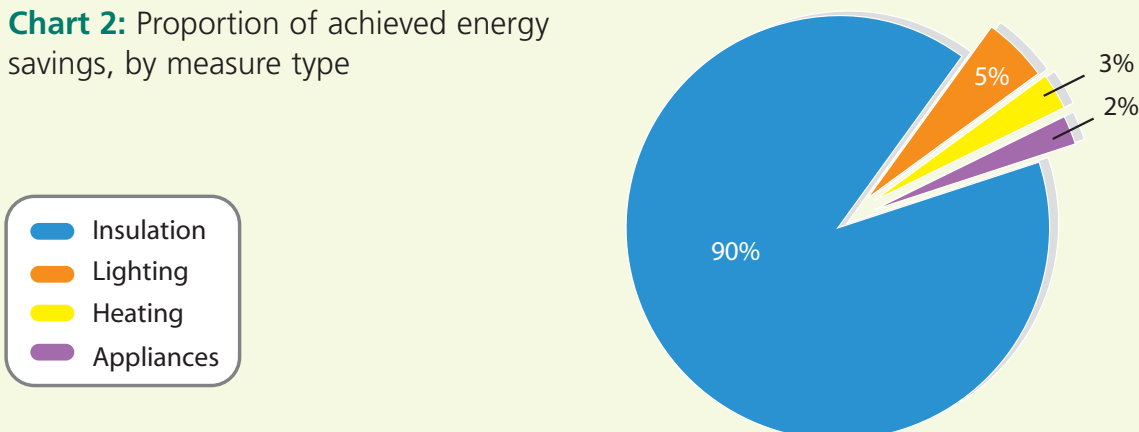
Chart 1: Energy savings counting towards the EEC 2 target



The amount of insulation delivered through EEC 2 has continued to grow in the second year. As can be seen in **Chart 2**, 90 per cent of the energy savings achieved to date have come from the installation of insulation

measures. Lighting measures account for five per cent of the energy savings achieved to date, with heating and appliances making up the remainder.

Chart 2: Proportion of achieved energy savings, by measure type



Suppliers are required to target at least 50 per cent of their energy savings at households in the Priority Group. Of the energy savings achieved to date, 45 per cent have been through the delivery of measures to Priority Group consumers. Insulation activity makes up the largest

proportion of Priority Group energy savings, with 42 per cent of the total savings to date. The remaining three per cent is made up mostly by lighting measures with small amounts of heating and appliances.

The Energy Efficiency Commitment April 2008 to March 2011: Initial Consultation

At the end of July the Government published its initial consultation on the Energy Efficiency Commitment 2008-2011 (EEC 3). The consultation aims to solicit the early views on some of the key elements of EEC 3 to inform Defra's thinking before the statutory consultation in 2007.

The consultation looks at the new opportunities that will arise in EEC 3 following the successful passage of the Climate Change and Sustainable Energy Act. This piece of legislation could increase the scope of the EEC to include micro-electricity generating technologies and to include measures that will reduce consumers' energy consumption through behavioural type measures.

The consultation provides different options on the size of the Priority Group in the future scheme. These options refer to the scale of the activity that remains in the Priority

Group. The consultation also discusses a new mechanism that would sit within the EEC legislative framework that would exempt suppliers from fulfilling part of their target in the Priority Group.

The consultation document also covers the issues that need to be addressed to ensure a smooth transition between the EEC 2 and the EEC 3 periods and the role of trading.

The consultation paper is available from:
<http://www.defra.gov.uk/corporate/consult/eec3/consultation.pdf>

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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

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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.

