

## A review of the second year of the Energy Efficiency Commitment 2005-2008

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### Overview:

The Energy Efficiency Commitment 2005-2008 requires certain gas and electricity suppliers to meet an energy saving target in domestic properties. By the end of the second year of the programme, suppliers had delivered sufficient energy saving measures to meet roughly 93 per cent of the overall target.

Suppliers are required to meet at least half of their obligation with consumers on a low income, the Priority Group. During the second year of the programme supplier activity was more focused towards the non-Priority Group. However, if the current scale of their activity is maintained they will be able to comply with the Priority Group requirement.

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**Contact name and details:** Charles Hargreaves, Head of Energy Efficiency

**Tel:** 020 7901 7459

**Email:** eec@ofgem.gov.uk

**Team:** Energy Efficiency

## Context

The Energy Efficiency Commitment 2005 - 2008 (EEC2) is the government's main policy instrument for improving the energy efficiency of existing households. It requires certain gas and electricity suppliers to meet an energy saving target between 1 April 2005 and 31 March 2008. This is the second phase of the Energy Efficiency Commitment; the first ran 2002 - 2005.

The EEC is primarily a carbon reduction target. It contributes to the government's Climate Change Programme by reducing domestic carbon emissions. At least half of the target must be met in relation to certain low-income consumers; therefore the EEC also contributes to the government's Fuel Poverty Strategy.

The Department for Environment, Food and Rural Affairs (Defra) set the overall target for the EEC. Ofgem is required to administer this programme. We determine the energy saving targets for each supplier and oversee their compliance.

This document sets out the suppliers' progress to the end of the second year of the programme. It provides information on the types of measures the suppliers have been using to comply with their obligations and the progress they have made towards meeting at least half of their target in the Priority Group.

## Associated Documents

- The Electricity and Gas (Energy Efficiency Obligations) Order 2004, Statutory Instrument 2004 number 3392
- Energy Efficiency Commitment, Illustrative mix of possible measures, Defra, February 2005
- Energy Efficiency Commitment 2005 – 2008: Supplier Guidance, Ofgem, January 2007

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## Summary

This report fulfils Ofgem's reporting duties to the Secretary of State for Environment, Food and Rural Affairs under the Energy Efficiency Obligations Order 2004. In addition to reporting on the overall performance and each supplier's performance, as required, we have provided extra analysis that Defra might find helpful to consider when it finalises the policy for the CERT programme. Outlined below are the key findings of the report.

### Overall progress towards the EEC2 target

- To the end of the second year of EEC2 the suppliers together had achieved 93 per cent of the overall target.
- Of the activity to date roughly 45 per cent has been in the Priority Group. The level of activity in the Priority Group is buoyed by the amount of energy savings carried over from EEC1. Excluding the energy savings that were carried over, roughly 40 per cent of the suppliers' activity by the end of the second year of EEC2 has been in the Priority Group.
- The Priority Group has been targeted predominately through the delivery of insulation measures. The range of measures delivered to the non-Priority Group is more diverse, but still dominated by insulation.
- Nearly 80 per cent of the energy savings achieved by the end of the second year have come from the installation of insulation measures.

### Each supplier's progress towards its EEC2 target

- The table below shows the progress each supplier group has made towards complying with its EEC2 target.

Supplier	Proportion of each supplier's target			
	Priority Group	non-Priority Group	Total to target	Carry over to date <sup>1</sup>
British Gas	44.6%	51.5%	94.6%	1.5%
EDF Energy	40.1%	58.9%	90.1%	8.9%
Npower	28.6%	44.9%	73.6%	0.0%
Opus Energy	0.0%	0.0%	0.0%	0.0%
Powergen	38.3%	55.7%	88.3%	5.7%
Scottish and Southern Energy	47.5%	51.8%	97.5%	1.8%
Scottish Power	54.0%	53.7%	100%	7.7%
Telecom Plus	297.7%	167.3%	100%	365.0%

<sup>1</sup> This represents the current overachievement against each suppliers' EEC2 target, either in terms of non-Priority Group savings or total savings.

## Delivery of measures

- Suppliers have continued to use a range of delivery routes to meet their targets, the most successful has been working directly with consumers, but they have also promoted measures with social housing providers (SHPs), retailers, manufacturers and linking in with the Warm Front programme.
- Although the overwhelming majority of the energy savings have been achieved through insulation measures, the suppliers have promoted large numbers of lighting, appliance and heating measures. For instance, by the end of the second year of EEC2, we estimate that 43 million compact florescent lamps (CFLs) have been distributed.
- Some suppliers have been looking to take advantage of the incentive for innovative action. This has led to the promotion of some consumer electronic and some microgeneration heating products. Almost all of this activity has been targeted at the non-Priority Group.

## The forthcoming year

- We will continue to work closely with the suppliers on their schemes.
- We will work closely with Defra on the final drafting of the CERT Order.

# 1. Overall progress to the end of the second year

## Chapter Summary

This chapter describes the suppliers' joint progress against the overall EEC2 target during the first two years of the programme. The focus is on the energy savings achieved and the progress towards the Priority Group target - at least 50 per cent of the target must be achieved in households on income related benefits and tax credits.

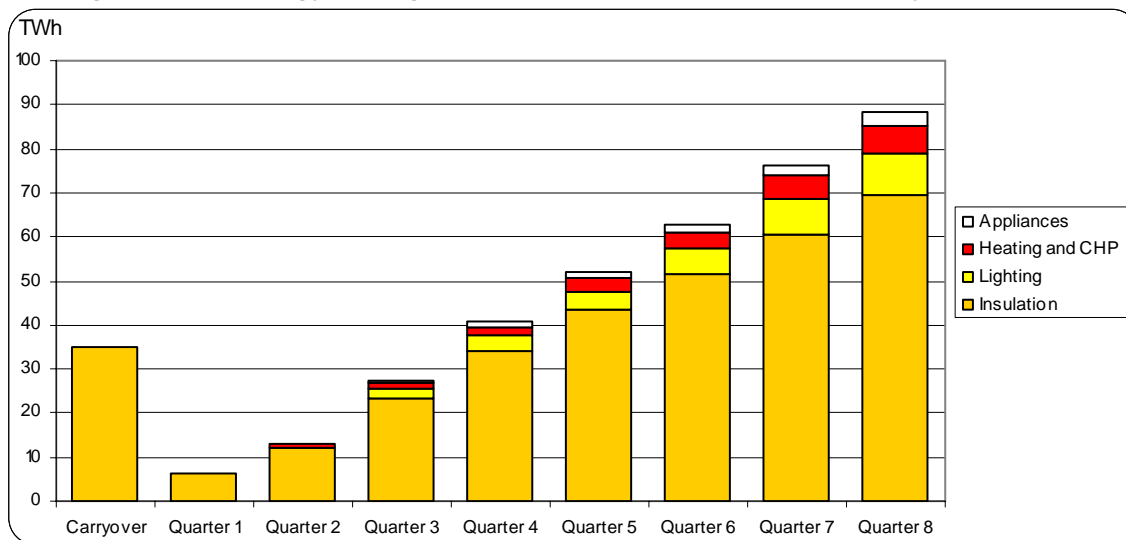
The information presented here is based on the suppliers' scheme proposals and quarterly reporting. This chapter fulfils Ofgem's reporting duties to the Secretary of State on the suppliers' progress towards complying with the overall energy efficiency obligation.

## Progress to the end of the second year

1.1. In order to comply with their targets, in addition to the energy savings carried over from EEC1, suppliers need to achieve energy savings at an average rate of 8 TWh per quarter throughout EEC2.

1.2. By the end of the second year, 120 TWh of energy savings had been achieved against the target including the EEC1 carry over. This is equivalent to 93 per cent of the EEC2 target.

Figure 1.1 - Energy savings achieved to the end of the second year of EEC2



1.3. Figure 1.1 shows the carry over from EEC1 and cumulative savings achieved each quarter broken down by measure type. If the current pattern of activity is

maintained, suppliers will have energy savings to carry over from their EEC2 activity into the subsequent domestic energy efficiency programme beginning in 2008, the Carbon Emission Reduction Target (CERT) programme.

## Carry over

1.4. Suppliers were allowed to carry forward any savings in excess of their EEC1 target into EEC2. Almost 35 TWh were carried over from EEC1 and as can be seen from Figure 1.1 nearly all these were achieved through insulation measures.

## Measures delivered

1.5. Suppliers' activity can be broken down into four broad categories of measures: insulation, heating, lighting and appliances. Figure 1.2 below shows the breakdown of the savings achieved in these categories by the end of the second year.

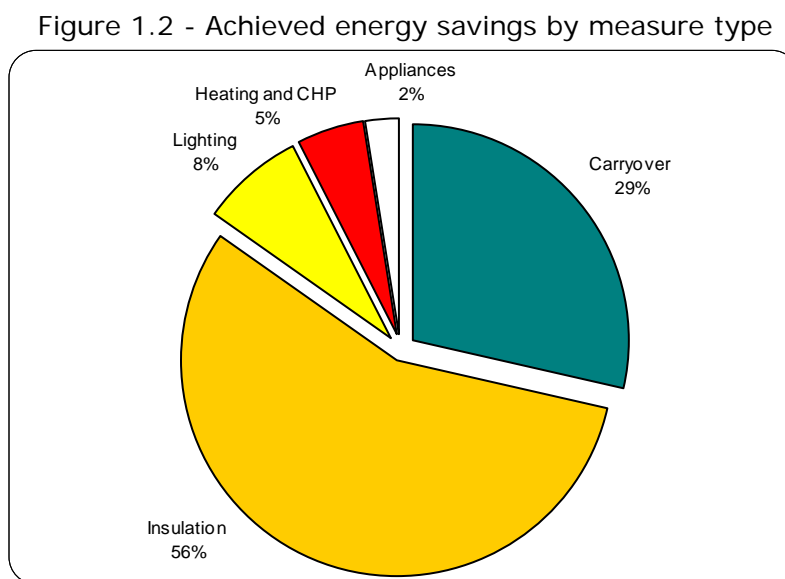


Table 1.1 - Achieved energy savings as a percentage of the target

Measure	Carryover	EEC2 Year 1	EEC2 Year 2
Insulation	27.0%	26.3%	27.1%
Lighting	0.0%	2.6%	4.7%
Heating	0.0%	1.5%	3.2%
Appliances	0.0%	1.0%	1.3%

1.6. As shown in Table 1.1, the carry over and initial activity in EEC2 was nearly entirely comprised of insulation. This is because insulation schemes are the easiest to set up and insulation was the most favourable measure for the suppliers to carry over from EEC1. Since then, the proportion of savings from other measure types has

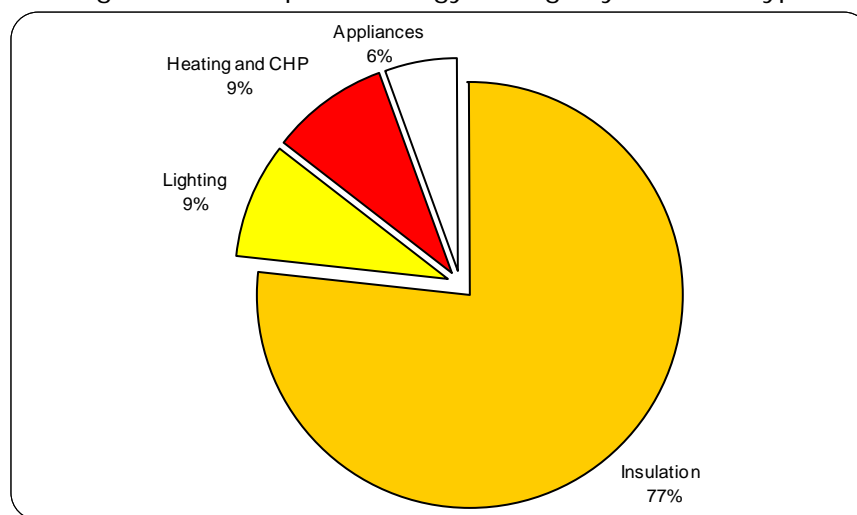
increased as other more complex schemes involving different measures have been set up.

1.7. As shown in figure 1.2, energy savings from insulation make up 56 per cent of the total achieved to date. Following the increase in activity in the second year of the programme, the share of energy saving achieved through lighting schemes has increased to eight per cent. Heating schemes make up five per cent and appliances two per cent of the total.

## Measures proposed

1.8. Figure 1.3 shows the breakdown of savings from suppliers' proposed measures. This is an indication of the mix of savings to be expected from the different measures by the end of EEC2. Suppliers proposed to carry out nearly 80 per cent of their activity through insulation measures. A fifth has been proposed through lighting and heating measures and the remainder is expected to be in appliance measures. These proportions are very similar to the proposed savings at the end of year one.

Figure 1.3 - Proposed energy savings by measure type



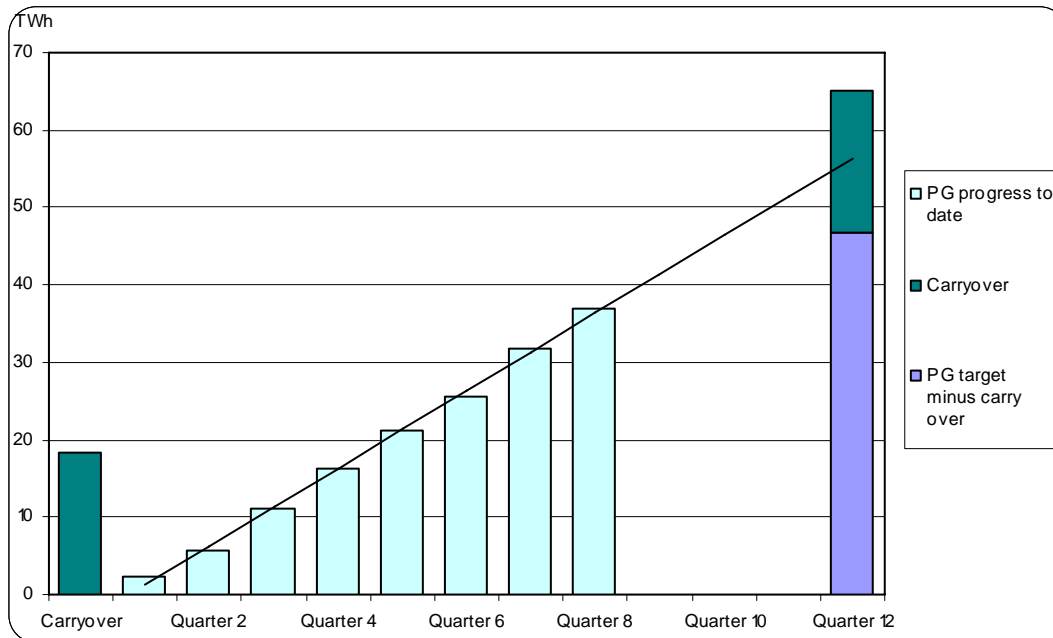
## The Priority Group

1.9. Excluding the EEC1 carry over, roughly 37 TWh of the energy savings achieved to date have been in the Priority Group. This is illustrated in Figure 1.4. The percentage of suppliers' activity in the Priority Group has remained broadly consistent since the beginning of EEC2 at roughly 40 per cent of the energy savings achieved.

1.10. Just over half of the energy savings carried over from EEC1 were in the Priority Group. When these savings are combined with the energy savings achieved in EEC2, the share of the suppliers' Priority Group activity to date is 45 per cent. Figure 1.4 shows that with the energy savings carried over from EEC1 the suppliers' current

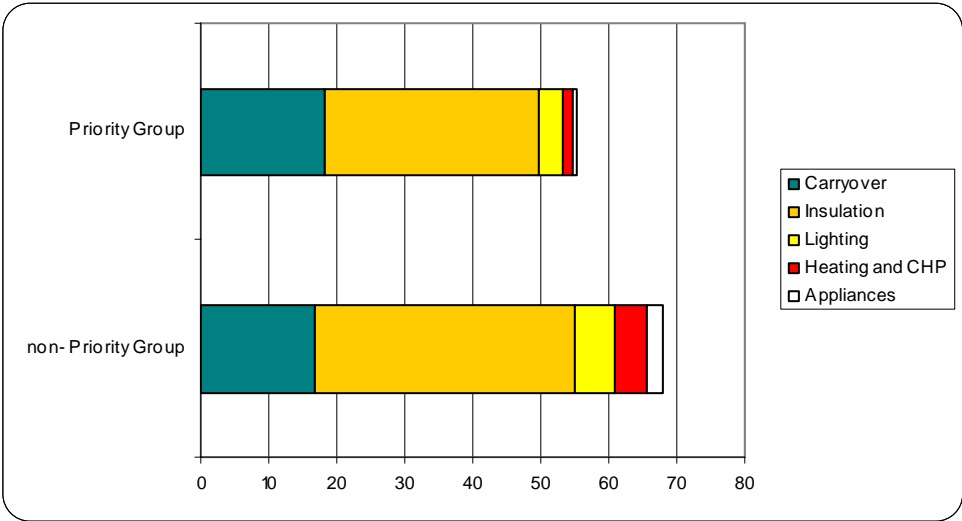
rate of activity in the Priority Group should ensure compliance with this element of the overall target.

Figure 1.4 - Achieved energy savings in the Priority Group



1.11. Figure 1.5 shows the share of energy savings in the Priority and non-Priority Groups by measure type. The proportion of savings from each measure type across the two groups is broadly similar, although insulation accounts for a larger proportion of savings in the Priority Group than in the non-Priority Group. The share of energy savings delivered from the other measures is much smaller than that of insulation, with lighting making up the second largest share. The contribution to the target from appliances and heating is only 7 per cent in the non-Priority Group and only 2 per cent in the Priority Group.

Figure 1.5 Achieved energy savings by measure type and consumer type (includes carry over)



## 2. Each supplier's progress

### Chapter Summary

This chapter documents each supplier's progress to the end of the second year of EEC2. The information presented in this chapter is based on the suppliers' schemes and their quarterly statistics. For each obligated supplier, this chapter presents information on:

- the measure types each supplier proposes to deliver to meet the obligation
- each supplier's progress towards its target by the end of the second year of EEC2
- the proportion of energy savings each supplier delivered to the Priority Group consumers by the end of the second year of EEC2.

This chapter fulfils Ofgem's reporting duties to the Secretary of State on each supplier's progress towards its energy efficiency obligation.

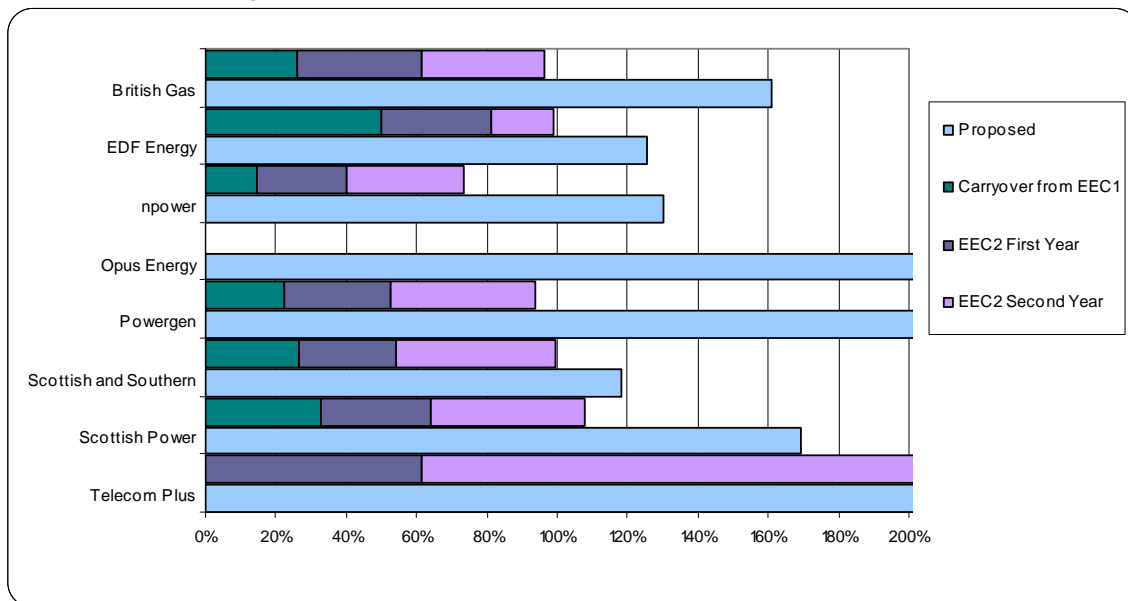
2.1. In January 2005, 8 suppliers were set an energy efficiency target according to the number of customers on their licences. A list of these obligated licensees is shown in Appendix 1. Ofgem set the final targets for the EEC2 obligation period in January 2007. The proposed and achieved energy savings detailed in this chapter have been compared with the final target.

2.2. The obligated suppliers meet their targets by setting up schemes to promote and deliver improvements in domestic energy efficiency. The suppliers have flexibility in choosing measure types that they promote to consumers. Based on a set of guidelines, Ofgem assesses whether the suppliers' proposals promote an improvement in energy efficiency.

2.3. As part of its administrative duties, Ofgem also monitors each supplier's progress and compliance against their targets. For each completed scheme Ofgem determines whether activity can be considered qualifying action under the Order and whether it can count towards meeting a supplier's target. All the measure installations must be completed by 31 March 2008 and the completion reports submitted to Ofgem by 30 April 2008.

2.4. Figure 2.1 provides a summary of the proposed and achieved energy savings for each obligated supplier as a percentage of each supplier's target. The achieved energy savings for each supplier comprise a proportion of energy savings carried forward from EEC1 and the energy savings delivered in the first and the second year of EEC2.

Figure 2.1 - Each supplier's proposed and achieved energy savings as percentages of their individual targets



## British Gas

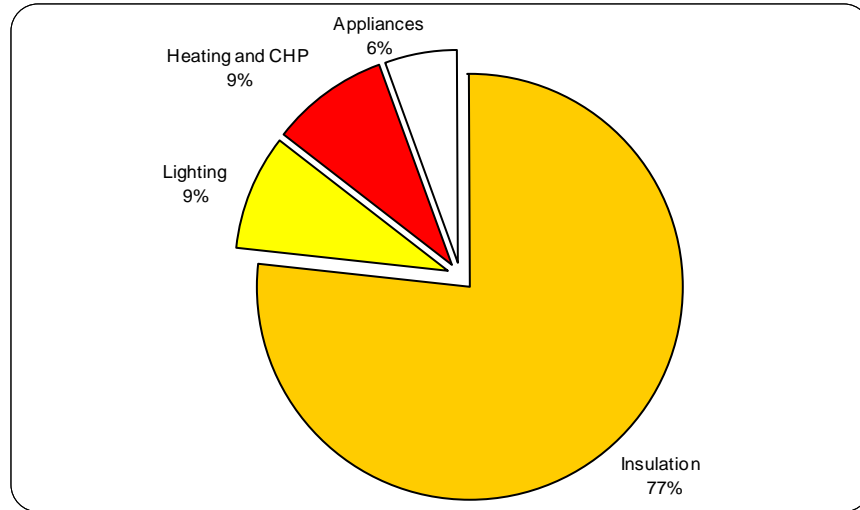
2.5. As shown in Figure 2.1, British Gas achieved 95 per cent of its energy saving target by the end of the second year of EEC2. A quarter of British Gas' target has been met with the energy savings from EEC1 carryover, and a further 35 per cent has been delivered in each year of the programme.

### Proposed activity

2.6. By the end of the second year of EEC2, British Gas had 15 scheme proposals approved by Ofgem. The total energy savings from the proposed measures equate to 161 per cent of British Gas' target. A full breakdown of energy savings from proposed measure types is shown in Figure 2.2.

2.7. British Gas proposed to achieve over three quarters of its target by installing insulation measures. Just under 20 per cent of the proposed energy savings is shared between heating and lighting measures. Energy savings from delivering appliances are proposed to make up 6 per cent of British Gas' activity.

Figure 2.2 British Gas - proposed savings by measure type



**Achieved savings - progress so far**

2.8. As shown in Figure 2.3, by the end of the second year, British Gas delivered over a half of its energy savings through insulation measures installed in EEC2. British Gas achieved these savings by installing similar amounts of loft insulation measures and cavity wall insulation measures. Energy savings from insulation have been achieved through a number of delivery routes including energy services, social housing activity and direct targeting of the owner occupier sector. British Gas has also promoted insulation measures through a retail partnership and through Warm Front. As shown in Table 2.1, a greater proportion of the achieved energy savings from insulation was delivered in the first year than in the second year of EEC2.

Figure 2.3 British Gas - achieved energy savings by measure type and carryover

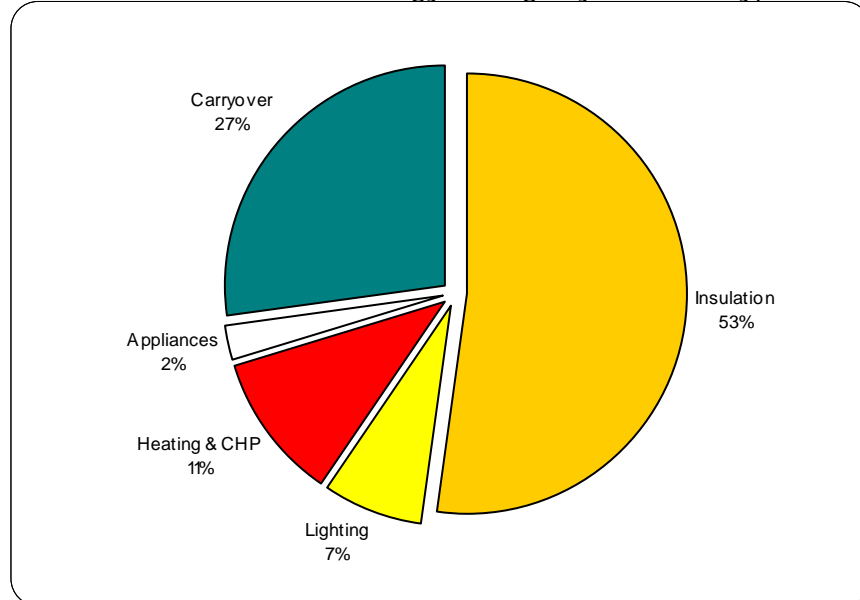


Table 2.1 British Gas - achieved energy savings as a percentage of its target

Measure	Carryover	EEC2 Year 1	EEC2 Year 2
Insulation	26.2%	28.8%	21.5%
Lighting	0.0%	1.8%	5.2%
Heating	0.0%	3.6%	6.7%
Appliances	0.0%	1.0%	1.3%

2.9. Energy savings from heating measures account for more than 10 per cent of British Gas' activity. This is the largest share of the achieved energy savings from heating measures for any of the suppliers. This is a result of a successful promotion of measures to the private and social housing sector. The acceleration of the promotion of heating measures through British Gas' manufacturer partnership and central heating programme increased the proportion of the achieved energy savings from nearly 4 per cent in the first year to almost 7 per cent in the second year of EEC2.

2.10. Lighting and appliances combined accounted for less than 10 per cent of British Gas' achieved savings by the end of the second year of EEC2. The proportion of the achieved energy savings from lighting measures in the second year is an increase of nearly threefold in comparison with the savings delivered in the first year of the programme. These energy savings have been achieved through a retail partnership and distribution of free CFLs. The promotion of white and brown goods through retail and manufacture partnerships delivered 2 per cent of British Gas' activity. The proportion of energy savings from appliances has remained broadly consistent throughout the programme to date.

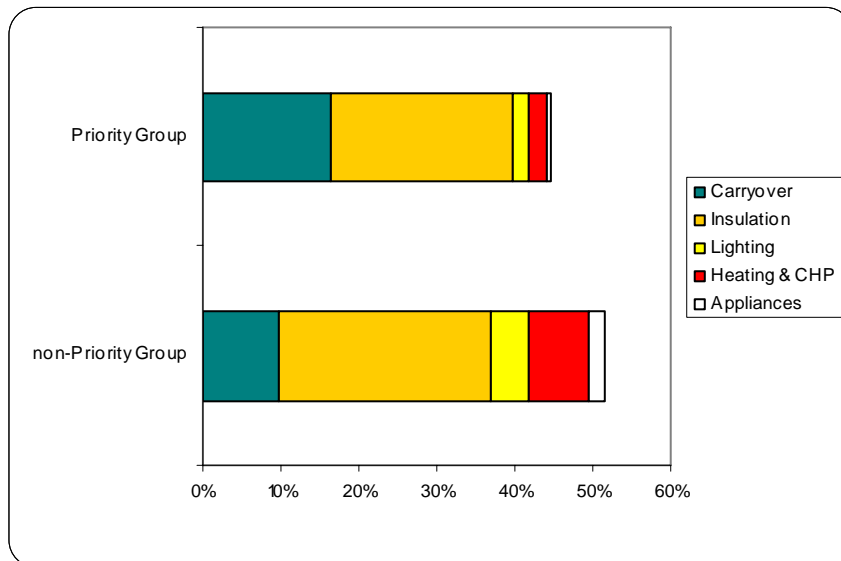
### Targeting the Priority Group

2.11. As shown in Figure 2.4, British Gas has achieved 45 per cent of its target in the Priority Group and 52 per cent of its target in the non-Priority Group; British Gas will be eligible to carry over to the CERT its current 2 percentage point overachievement in the non-Priority Group.

2.12. By the end of the second year of EEC2, similar amounts of energy savings from insulation measures have been delivered to both Groups. Energy savings from appliances, lighting and heating measures delivered to the Priority Group accounted for less than 5 per cent of British Gas' target.

2.13. Over 7 per cent of the target was met through non-Priority Group heating. Lighting measures and appliances contributed to another 7 per cent of the non-Priority Group share of British Gas' target.

Figure 2.4 British Gas - achieved energy savings by consumer type as a percentage of its target



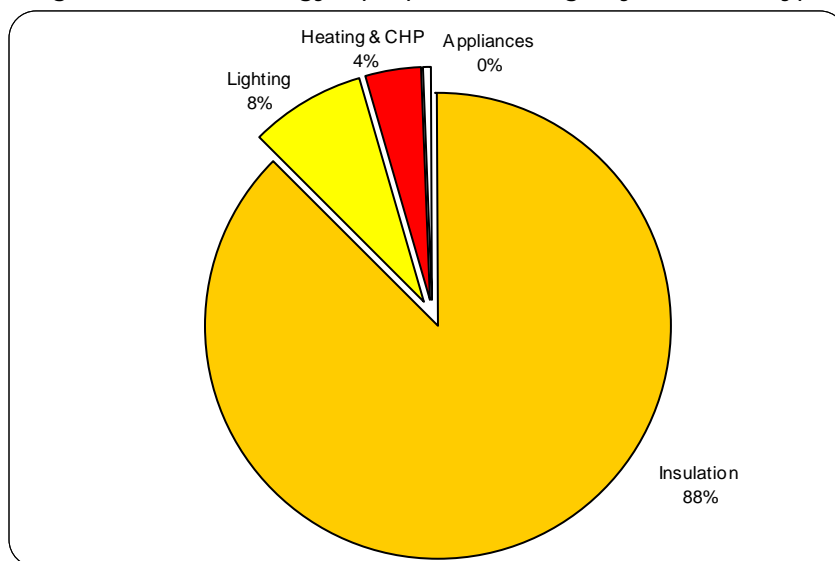
## EDF Energy

2.14. EDF Energy achieved roughly 90 per cent of its energy savings target by the end of the second year; 10 per cent is still to be delivered to the Priority Group consumers. A large proportion of the achieved energy savings was carried over from EEC1, contributing to 50 per cent of EDF Energy's target. As shown in Figure 2.1, EDF Energy carried out less activity in the second year than in the first year of EEC2, 31 and 18 per cent of its target respectively.

### Proposed activity

2.15. Ofgem approved 18 of EDF Energy's scheme proposals by the end of the second year of EEC2. EDF Energy proposed to achieve 125 per cent of its target by predominately carrying out insulation work.

Figure 2.5 EDF Energy - proposed savings by measure type



2.16. Figure 2.5 shows that lighting, heating and appliances account for just over 10 per cent of EDF Energy's proposed energy savings.

#### **Achieved savings - progress so far**

2.17. As shown in Figure 2.6, nearly half of EDF Energy's achieved energy savings have been delivered through insulation during EEC2. EDF Energy achieved these savings by targeting predominantly the owner occupier sector with loft and cavity wall insulation as well as providing other insulation measures to the social housing sector. Table 2.2 shows that energy savings achieved from insulation measures decreased by nearly a half in the second year of the programme.

2.18. By the end of the second year, a very small proportion of the achieved energy savings was met through lighting and heating. These energy savings were achieved through a number of retail partnerships and community initiatives to distribute free CFLs. EDF Energy delivered a small proportion of its energy savings from heating measures through social housing providers. As shown in Table 2.2, EDF Energy achieved all its savings from heating measures in the first year of EEC2.

Figure 2.6 EDF Energy - achieved energy savings by measure type and carryover

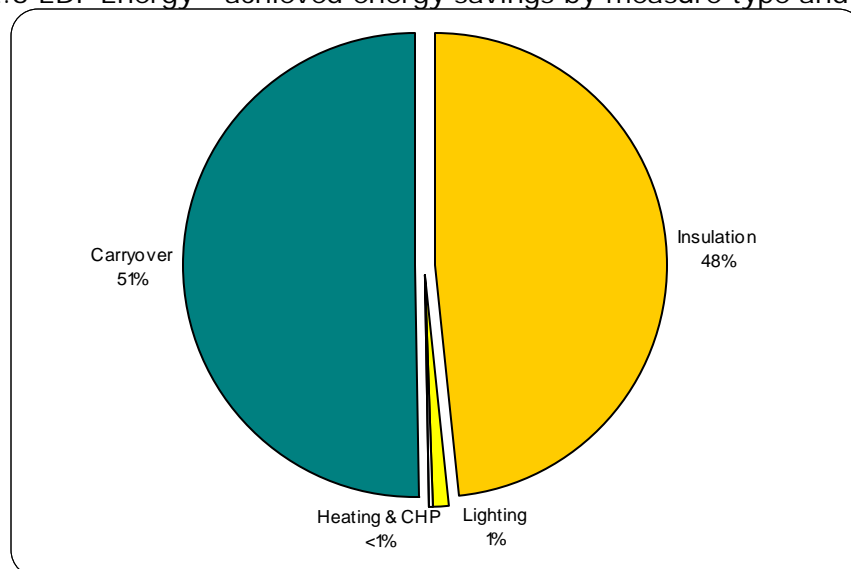


Table 2.2 EDF Energy - achieved energy savings as a percentage of its target

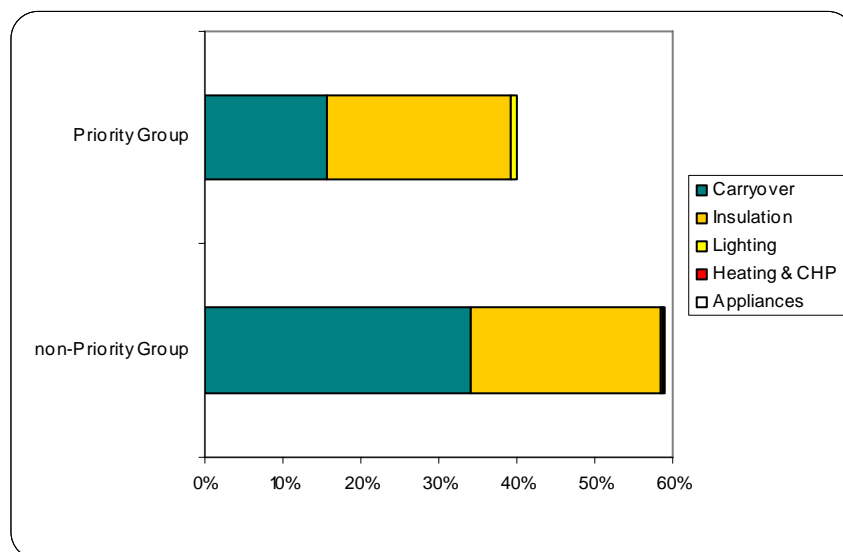
Measure	Carryover	EEC2 Year 1	EEC2 Year 2
Insulation	49.9%	30.5%	17.3%
Lighting	0.0%	0.9%	0.3%
Heating & CHP	0.0%	0.1%	0.0%
Appliances	0.0%	0.0%	0.0%

### Targeting the Priority Group

2.19. As shown in Figure 2.7, the large share of energy savings carried over from EEC1 has buoyed EDF Energy's level of activity. By the end of the second year of EEC2, EDF Energy met 48 per cent of its target through insulation measures. This activity has been delivered evenly between the Priority Group and non-Priority Group consumers. EDF Energy will be eligible to carry over to the CERT its current 9 percentage point overachievement in the non-Priority Group.

2.20. The delivery of lighting and heating measures to the Priority Group and non-Priority Group consumers accounted for less than 2 per cent of the EDF Energy target by the end of the second year of the programme. EDF Energy has not achieved any energy savings through appliance activity to the end of the second year.

Figure 2.7 EDF Energy - achieved energy savings by consumer type as a percentage of its target



## npower

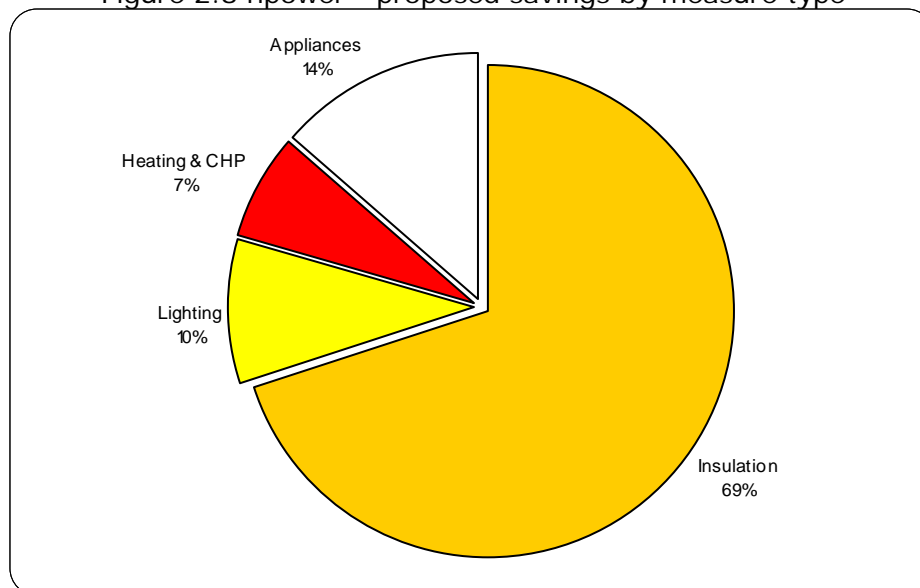
2.21. As shown in Figure 2.1, npower achieved 74 per cent of its target by the end of the second year. Nearly 15 percentage points of this were achieved with the energy savings carried over from EEC1 and 25 percentage points were achieved in the first year of EEC2. A further third was achieved in the second year of the programme.

### Proposed activity

2.22. By the end of the second year of EEC2, npower had 22 scheme proposals approved by Ofgem. The total energy savings from these proposals equate to 130 per cent of npower's target.

2.23. npower has proposed to deliver nearly 70 per cent of its energy savings from insulation measures. The remainder is anticipated to be met by broadly equal shares of heating, lighting and appliance energy savings. A full breakdown of the proposed energy savings is shown in Figure 2.8.

Figure 2.8 npower - proposed savings by measure type



### Achieved savings - progress so far

2.24. As shown in Figure 2.9, 65 per cent of npower's delivered energy savings came from insulation measures installed by the end of the second year of EEC2. These energy savings have been achieved by installing more loft insulation than cavity wall insulation through a combination of energy services, social housing and owner occupier schemes. A small share of energy savings from insulation has been met through npower's retail partnership. The proportion of the achieved energy savings from insulation increased in the second year of EEC2 along with the delivery of lighting, heating and appliances. A full breakdown of the share of achieved energy savings is given in Table 2.3

2.25. Lighting and heating measures account for 7 per cent of the achieved energy savings. Energy savings from lighting have been delivered through npower's retail partnership and to a lesser extent through the distribution of free CFLs. A small proportion of the achieved energy savings has been met through the delivery of heating measures. A range of different heating measures were installed in the social and private sector households in the first and the second year of EEC2.

2.26. Over 8 per cent of the achieved energy savings has resulted from the promotion of appliances. This is the highest proportion of delivered energy savings from appliances for any of the suppliers. These savings have been achieved through a retail partnership. The share of energy savings from appliances slightly increased in the second year of EEC2.

Figure 2.9 npower - achieved energy savings by measure type and carryover

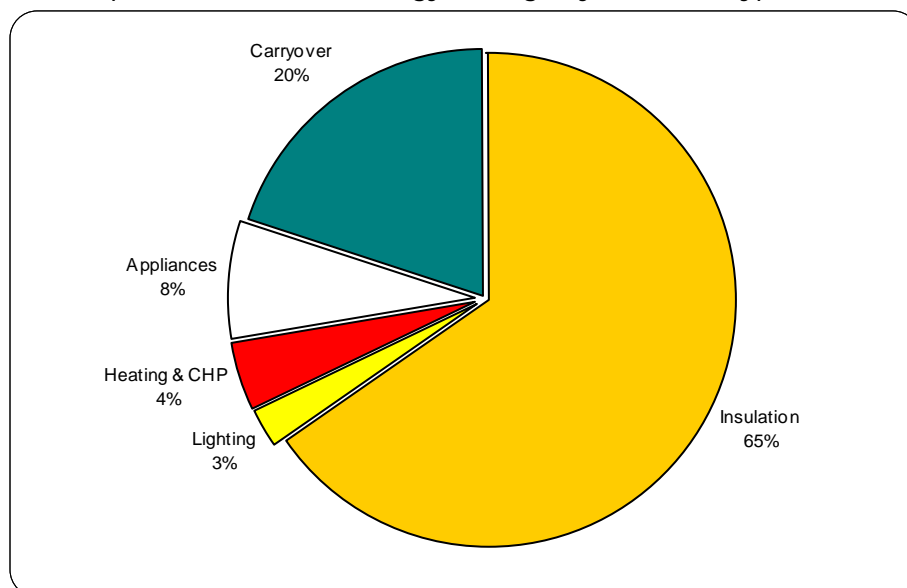


Table 2.3 npower - achieved energy savings as a percentage of its target

Measure	Carryover	EEC2 Year 1	EEC2 Year 2
Insulation	14.5%	21.6%	26.3%
Lighting	0.0%	0.2%	1.7%
Heating	0.0%	1.0%	2.2%
Appliances	0.1%	2.5%	3.4%

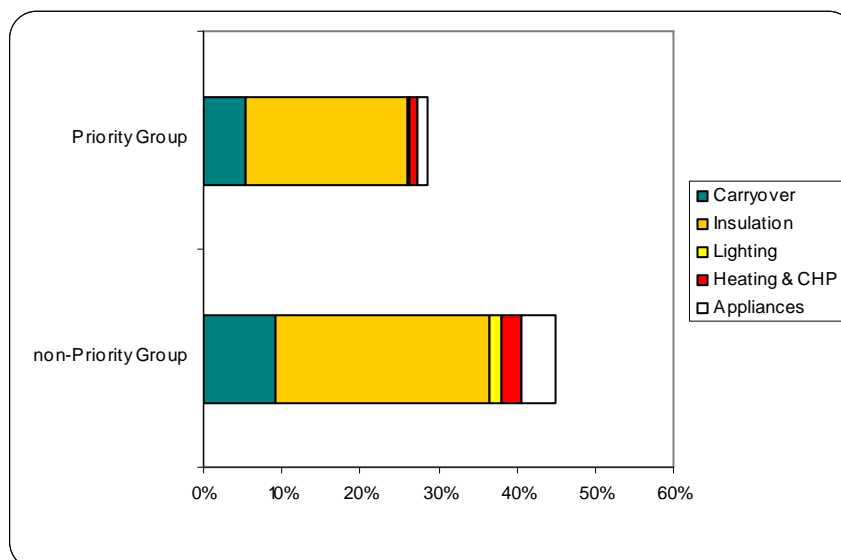
### Targeting the Priority Group

2.27. By the end of the second year, as shown in figure 2.10, npower had met 29 per cent of its target in the Priority Group, and 45 per cent of its target in the non-Priority Group. A sixth of the overall target has been met from the energy savings carried over from EEC1.

2.28. As shown in Figure 2.10, 3 per cent of npower's Priority Group target has been met through the delivery of lighting, heating measures and appliances; over a fifth has been achieved through insulation. npower continues to work with social housing providers and a network of installers to directly target Priority Group households.

2.29. Lighting, heating and appliances have predominantly been delivered to the non-Priority Group. The achieved energy savings from these measures account for 10 per cent of npower's non-Priority Group target. However, the majority of the non-Priority Group energy savings achieved to date has been through the installation of insulation.

Figure 2.10 npower - achieved energy savings by consumer type as a percentage of its target



## Opus Energy

2.30. In December 2005, Opus Energy transferred its customers to Telecom Plus. As Opus Energy has retained its supply licence, it is still required to achieve its energy saving target. Ofgem has been liaising with Telecom Plus and Opus Energy about the fulfilment of Opus Energy's obligation.

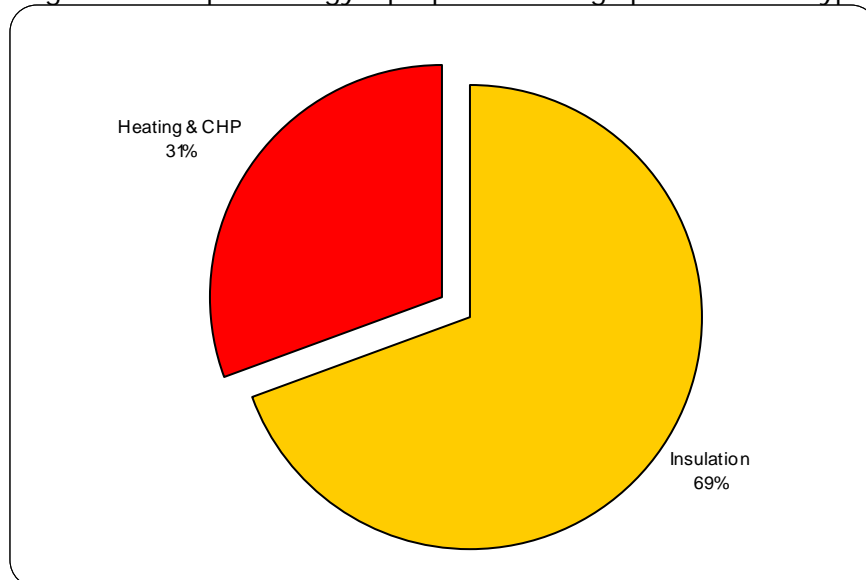
2.31. Opus Energy did not report any carry over from EEC1 and any achieved energy savings.

### Proposed activity

2.32. By the end of the second year, Opus Energy had 5 scheme proposals approved by Ofgem. Opus Energy proposed to achieve 1040 per cent of its target, which has been adjusted to show 200 per cent of its target in Figure 2.1.

2.33. Figure 2.11 shows a breakdown of energy savings from measure types proposed by Opus Energy.

Figure 2.11 Opus Energy - proposed savings per measure type



2.34. Opus Energy proposed to deliver insulation and heating measures to comply with its energy efficiency obligation. Two thirds of the savings are anticipated to be delivered from insulation measures and a further third from heating.

2.35. No energy savings have been achieved against Opus Energy's target.

## Powergen

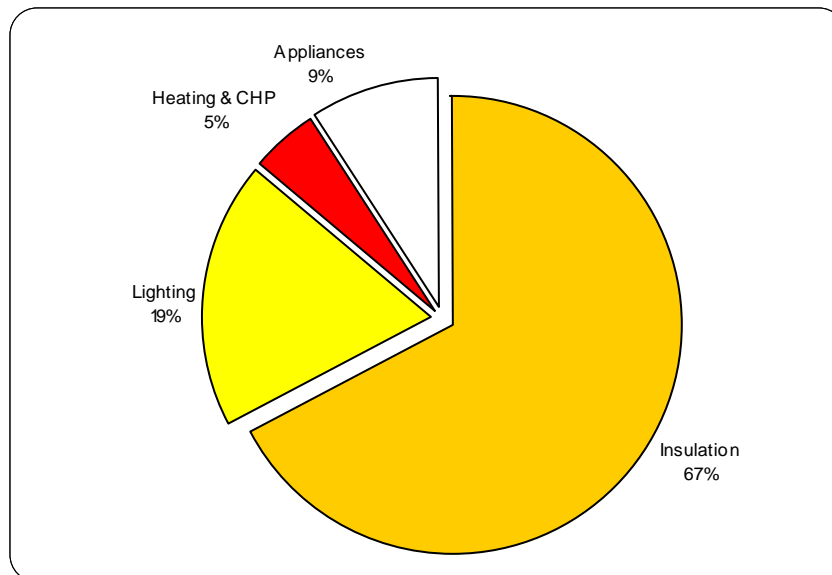
2.36. Powergen nearly 90 per cent of its energy saving target by the end of the second year of EEC2. Just over 10 per cent of the energy savings are still to be delivered to the Priority Group. Figure 2.1 shows that just under a quarter of the energy savings delivered has been met from the energy savings carried over from EEC1. A third of Powergen's target was achieved in the first year of the programme. In the second year of EEC2, Powergen achieved a further 40 per cent of its energy savings.

### Proposed activity

2.37. By the end of the second year, Ofgem approved 17 scheme proposals submitted by Powergen. It has proposed to achieve 211 per cent of its target by delivering a range of energy efficiency measures.

2.38. As shown in Figure 2.12, Powergen anticipates delivering roughly two thirds of its energy savings from insulation measures. Powergen proposed to deliver a fifth of its energy savings from the promotion of lighting measures. Appliances and heating combined account for a further 14 per cent of the proposed energy savings.

Figure 2.12 Powergen - proposed savings per measure type



### Achieved savings - progress so far

2.39. As shown in Figure 2.13, Powergen delivered over 50 per cent of its energy savings from insulation measures installed by the end of the second year of EEC2. To achieve these savings Powergen delivered more cavity wall insulation than loft insulation. Energy savings from insulation have resulted from a combination of Powergen's partnership with social housing providers, direct targeting of the owner occupier sector and Warm Front activity. The proportion of energy savings from insulation increased in the second year of the programme. Table 2.4 shows a breakdown of activity achieved by the end of the second year of EEC2.

2.40. Energy savings from lighting account for over a fifth of Powergen's activity. This is by far the highest proportion of energy savings from lighting for any of the suppliers. To deliver these savings Powergen has formed a successful partnership with retailers and with local community programmes to promote discounted and free CFLs. The proportion of the achieved energy savings from lighting remained broadly similar throughout the programme.

2.41. By the end of the second year, Powergen achieved 2 per cent of its energy savings through the delivery of heating measures and appliances. Energy savings from appliances have been met through Powergen's retail partnership, whereas energy savings heating measures have been delivered predominantly through social housing activity and targeting the owner occupier sector. The share of energy savings from heating measures has increased since the first year of the programme, while nearly all of the appliances were delivered in the first year of the EEC2.

Figure 2.13 Powergen- achieved energy savings by measure type and carryover

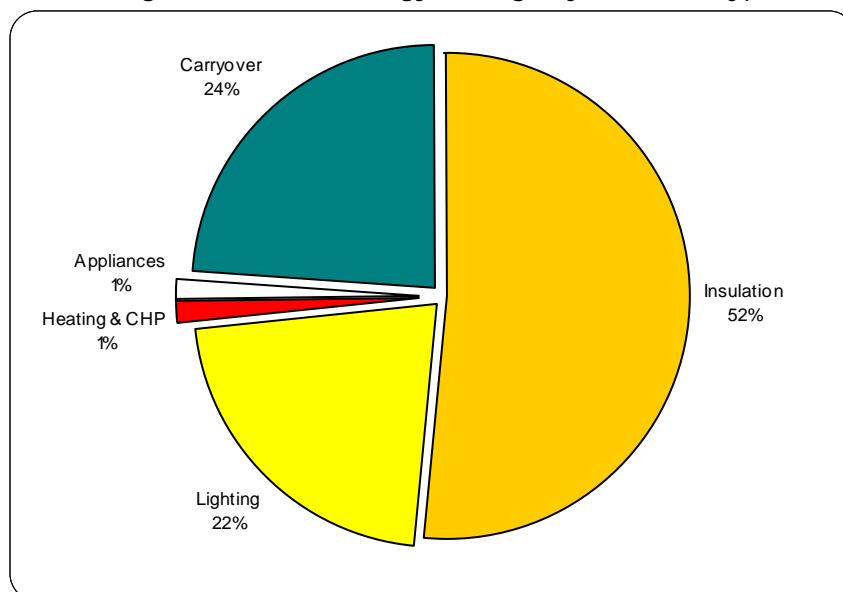


Table 2.4 Powergen - achieved energy savings as a percentage of its target

Measure	Carryover	EEC2 Year 1	EEC2 Year 2
Insulation	22.2%	19.9%	28.4%
Lighting	0.0%	9.1%	11.6%
Heating	0.0%	0.1%	1.2%
Appliances	0.1%	1.4%	0.0%

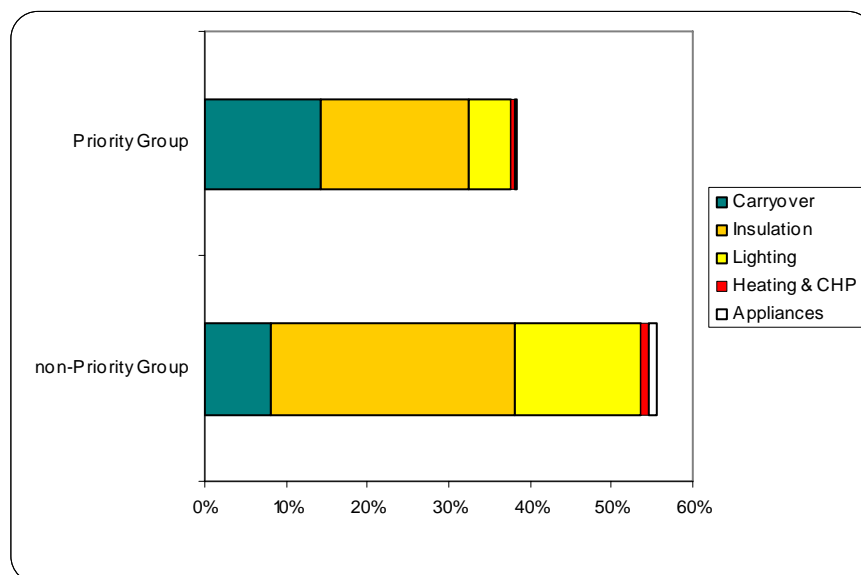
### Targeting the Priority Group

2.42. By the end of the second year of EEC2, Powergen achieved 38 per cent of its target in the Priority Group and 56 per cent of its target in the non-Priority Group. Powergen will be eligible to carry over to the CERT its current 6 percentage point overachievement in the non-Priority Group.

2.43. Over a fifth of Powergen's target has been met through the promotion of lighting measures, 16 percentage points of which have been delivered to the non-Priority Group consumers. As shown in Figure 2.14, almost twice as many energy savings from insulation have been delivered to the non-Priority Group consumers as to the Priority Group.

2.44. Heating measures and appliances account for less than 4 per cent of Powergen's progress against its target. Just over 1 per cent of these two measure types have been delivered to the Priority Group consumers.

Figure 2.14 Powergen - achieved energy savings per consumer type as a percentage of its target



## Scottish and Southern Energy

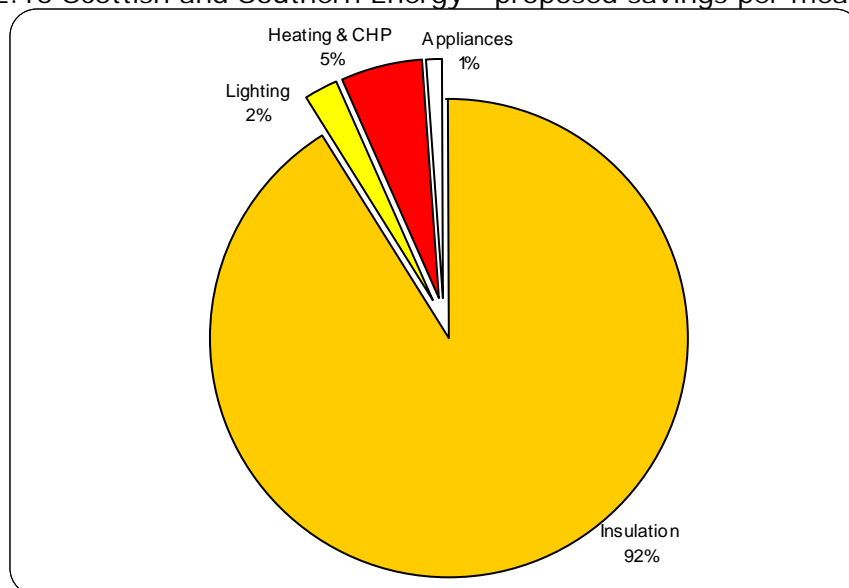
2.45. As shown in Figure 2.1, Scottish and Southern Energy achieved almost all of its energy saving target by the end of the second year of EEC2. Over 25 per cent of the energy savings target has been met through the EEC1 carry over and a further 28 per cent through the delivery of measures in the first year of the programme. Nearly 45 per cent was delivered in the second year of EEC2.

### Proposed activity

2.46. Ofgem approved 19 Scottish and Southern Energy's scheme proposals by the end of the second year of EEC2. The proposed energy savings account for 118 per cent of Scottish and Southern Energy's target.

2.47. As shown in Figure 2.15, Scottish and Southern Energy proposed to deliver over 90 per cent of savings from insulation. A further 5 per cent is anticipated to come from delivering heating measures. Appliances and lighting measures account for the remainder of the proposed energy savings.

Figure 2.15 Scottish and Southern Energy - proposed savings per measure type



#### Achieved savings - progress so far

2.48. By the end of the second year, Scottish and Southern Energy delivered more cavity wall insulation than loft insulation to achieve over two thirds of its target from insulation in EEC2. Scottish and Southern Energy achieved these savings by a combination of social housing activity and targeting the owner occupier sector including through Warm Front. A proportion of the achieved energy savings from insulation resulted from Scottish and Southern Energy's retail partnership. The proportion of energy savings achieved from insulation increased in the second year of the EEC2. Table 2.5 shows activity achieved by the end of the second year.

2.49. As shown in Figure 2.16, appliances account for 3 per cent of Scottish and Southern Energy's achieved energy savings. The majority of the savings have been delivered through a successful partnership with manufacturers and retailers in the second year of the programme.

2.50. Less than 2 per cent of the energy savings have been delivered through lighting and heating measures. Energy savings from heating have been achieved through a number of delivery routes targeting both Priority and non-Priority Group consumers.

Figure 2.16 Scottish and Southern Energy - achieved energy savings by measure type and carryover

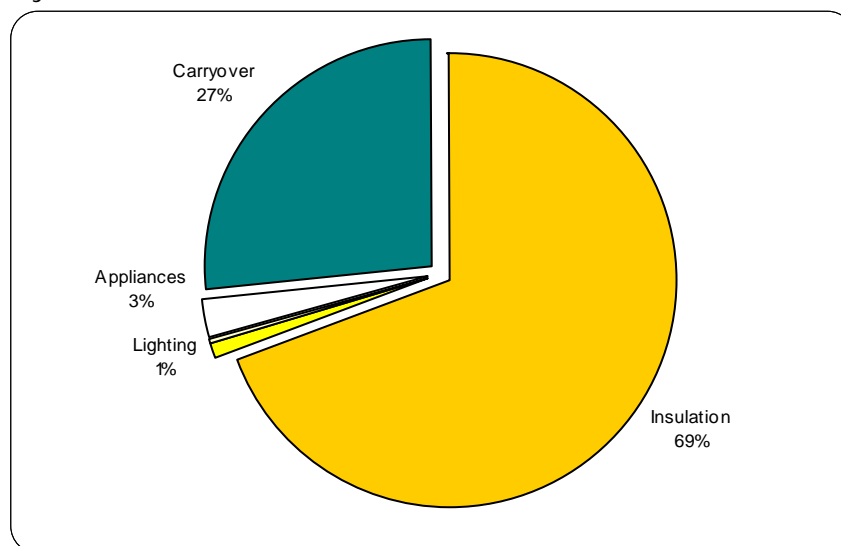


Table 2.5 Scottish and Southern Energy - achieved energy savings as a percentage of its target

Measure	Carryover	EEC2 Year 1	EEC2 Year 2
Insulation	26.4%	27.4%	41.1%
Lighting	0.0%	0.6%	0.6%
Heating	0.0%	0.0%	0.3%
Appliances	0.0%	0.1%	2.8%

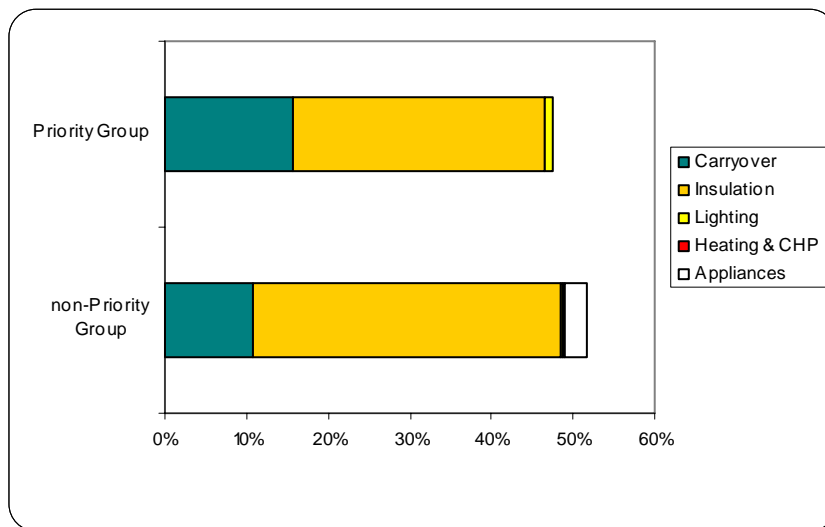
### Targeting the Priority Group

2.51. As shown in Figure 2.17, by the end of the second year of EEC2, Scottish and Southern Energy achieved more than half of its target in the non-Priority Group and met 47 per cent of its Priority Group target. Scottish and Southern Energy will be eligible to carry over to the CERT its current 2 percentage point overachievement in the non-Priority Group.

2.52. Scottish and Southern Energy targeted both Priority and non-Priority Group consumers by delivering energy savings from insulation measures. As shown in Figure 2.17, over a third of the achieved energy savings in the Priority and non-Priority Group have been met through insulation.

2.53. The majority of energy savings from lighting have been achieved through the delivery of free CFLs to the Priority Group consumers. Over 2 per cent of the target has been met with appliances delivered to the non-Priority Group.

Figure 2.17 Scottish and Southern Energy - achieved energy savings as a percentage of its target



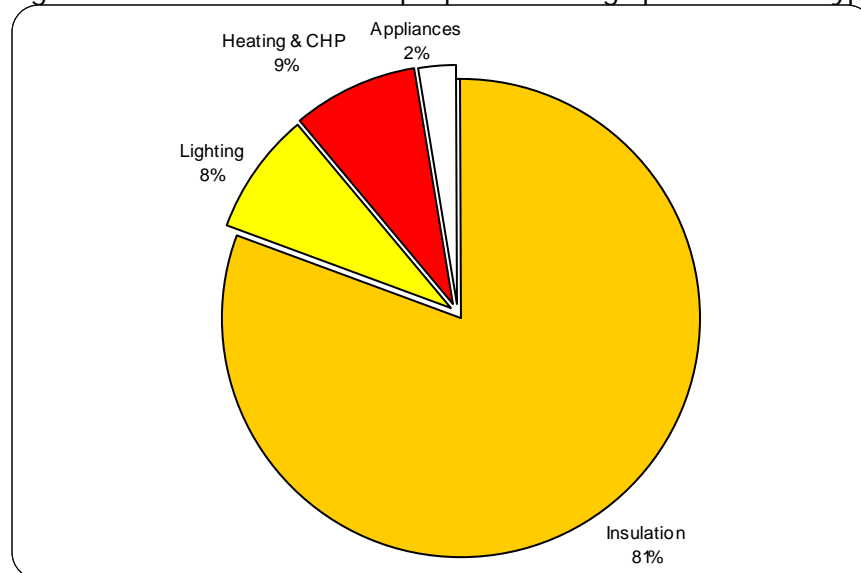
### Scottish Power

2.54. As shown in Figure 2.1, Scottish Power achieved its energy saving target by the end of the second year of EEC2. Nearly two thirds of the target was met by the end of the first year, with the carry over savings from EEC1 and the energy savings achieved in the first year contributing over 30 per cent each. A further 44 per cent was achieved in the second year of EEC2.

### Proposed activity

2.55. By the end of the second year of EEC2, Scottish Power had 10 scheme proposals approved by Ofgem. Scottish Power proposed to achieve 169 per cent of its target by predominantly promoting insulation measures.

Figure 2.18 Scottish Power - proposed savings per measure type



2.56. As shown in Figure 2.18, Scottish Power proposed to achieve a fifth of its energy savings from the delivery of heating and lighting and appliances.

#### **Achieved savings - progress so far**

2.57. As shown in Figure 2.19, insulation measures installed in EEC2 accounts for nearly 60 per cent of Scottish Power's achieved energy savings. To achieve these savings, Scottish Power installed more cavity wall insulation than loft insulation measures through its social housing activity and direct targeting of the owner occupier sector including Warm Deal activity. A small share of the savings has been delivered through Scottish Power's retail partnership. The proportion of energy savings from insulation increased in the second year of EEC2. Table 2.6 shows a breakdown of energy savings achieved in EEC2.

2.58. The second largest amount of the achieved energy savings has come from lighting. Scottish Power achieved these savings predominantly through the distribution of free CFLs. The proportion of energy savings from heating measures has increased in the second year of EEC2. Energy savings from heating have been delivered through Scottish Power's work with social housing providers and private householders.

2.59. Appliances and heating account for a small amount of Scottish Power's achieved energy savings. The majority of energy savings from heating measures and appliances were delivered in the first year of the programme.

Figure 2.19 Scottish Power - achieved energy savings by measure type and carryover

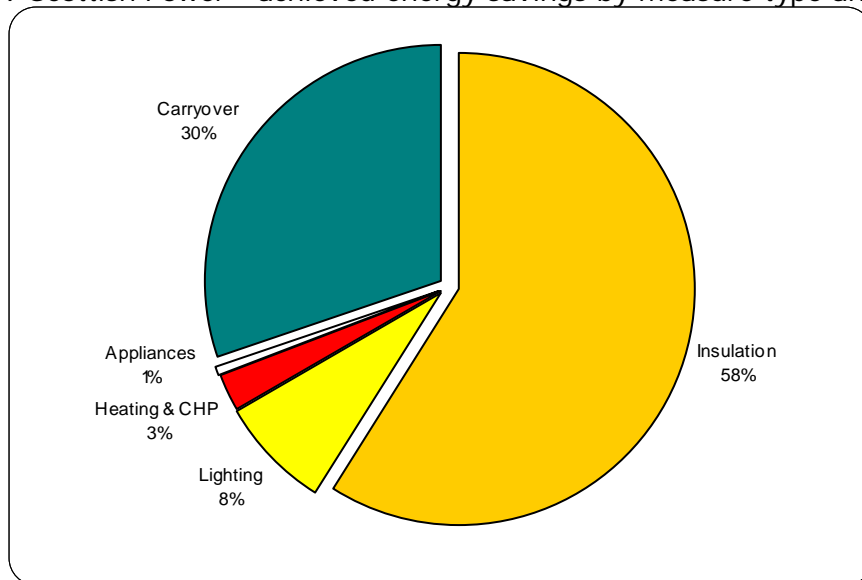


Table 2.6 Scottish Power - achieved energy savings as a percentage of its target

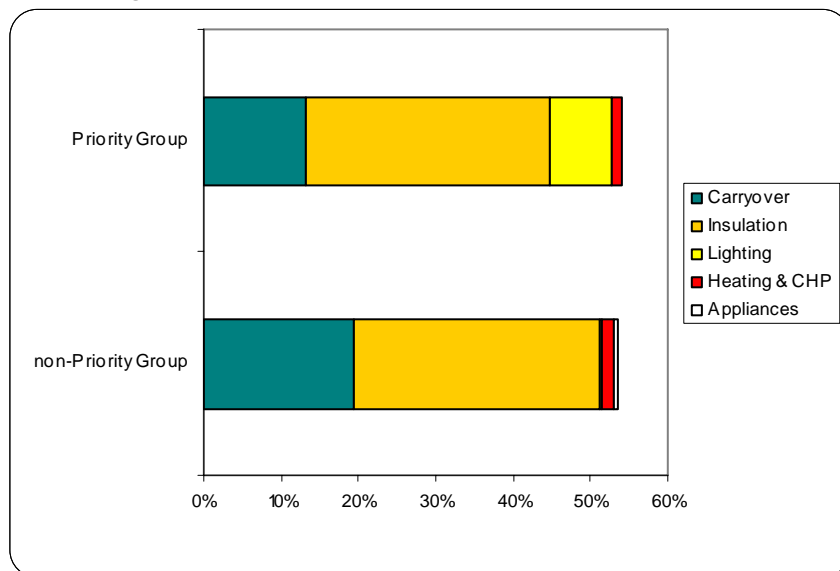
Measure	Carryover	EEC2 Year 1	EEC2 Year 2
Insulation	32.6%	28.2%	35.3%
Lighting	0.0%	2.7%	5.5%
Heating	0.1%	0.0%	2.7%
Appliances	0.0%	0.4%	0.2%

### Targeting the Priority Group

2.60. Scottish Power had met its EEC2 target by the end of the second year of the programme. Scottish Power achieved a third of its energy saving target through the achieved energy savings from EEC1 carry over. As shown in Figure 2.20, a further 30 per cent was delivered through insulation measures in each of the Priority and non-Priority Group consumers by the end of the second year of EEC2. Scottish Power will be eligible to carry over to the CERT its current 8 percentage point overachievement in the Priority and non-Priority Group.

2.61. Over 8 per cent of the target has been met through the delivery of lighting measures to the Priority Group consumers. Both the Priority Group and non-Priority Group consumers have equally benefited from a small proportion of the energy savings from heating measures. Appliances account for less than 1 per cent of the energy savings delivered to the non-Priority Group consumers.

Figure 2.20 Scottish Power - achieved energy savings by consumer type as a percentage of its target



## Telecom Plus

2.62. In December 2005, Opus Energy's customers were transferred onto the Telecom Plus' licences. Ofgem will continue to liaise with Telecom Plus about the fulfilment of Opus Energy target.

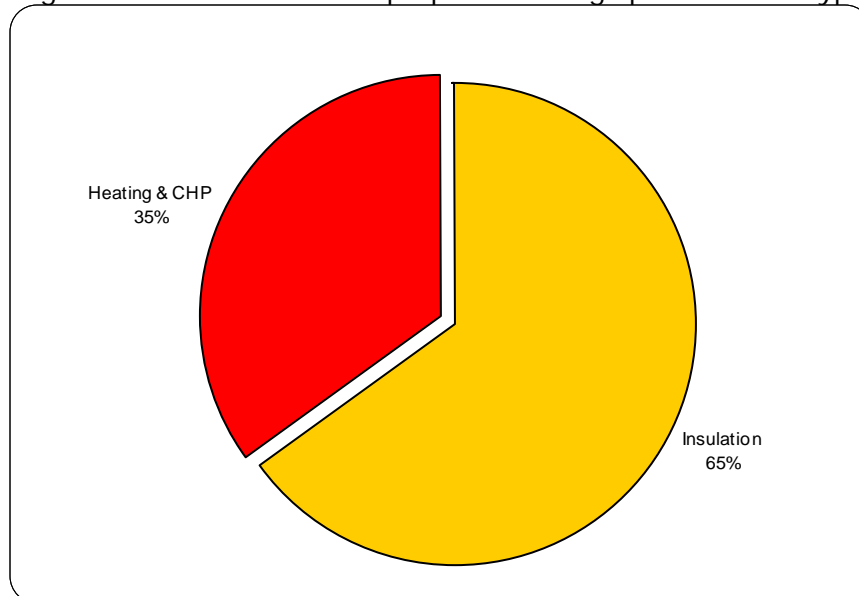
2.63. As shown in Figure 2.1, Telecom Plus exceeded its energy saving target by the end of the second year of EEC2. As the scale of its obligation is significantly smaller than other suppliers', it has been easier for Telecom Plus to considerably overachieve against its target by the end of the second year of EEC2. Telecom Plus did not carry over any energy savings that were achieved in EEC1.

### Proposed activity

2.64. By the end of the second year of EEC2, Ofgem approved 5 Telecom Plus scheme proposals. Telecom Plus proposed to achieve over 10 times its target by delivering insulation and heating measures.

2.65. As shown in Figure 2.21, Telecom Plus anticipates delivering at least two thirds of the energy savings from insulation measures. The remainder of the energy savings is proposed to be delivered from heating measures.

Figure 2.21 Telecom Plus - proposed savings per measure type



#### Achieved savings - progress so far

2.66. As shown in Figure 2.22, almost all of Telecom Plus' achieved energy savings have been delivered from insulation measures. To achieve these savings Telecom Plus installed roughly the same amount of loft insulation and cavity wall insulation. Telecom Plus has successfully targeted the owner occupier sector to deliver the savings. A small share of the savings from insulation has been met through social housing activity. Table 2.7 shows that a significantly greater amount of energy savings from insulation was delivered in the second year of the programme.

2.67. As seen in Table 2.7, a small amount of the achieved energy savings have resulted from the installation of heating measures in the private sector. All energy savings from heating were delivered in the second year of EEC2.

Figure 2.22 Telecom Plus - achieved energy savings by measure type

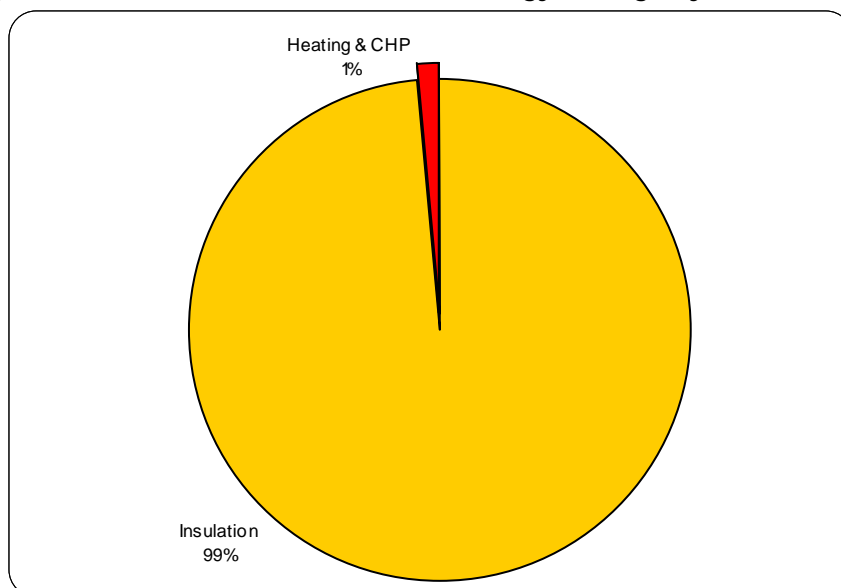


Table 2.6 Telecom Plus - achieved energy savings as a percentage of its target

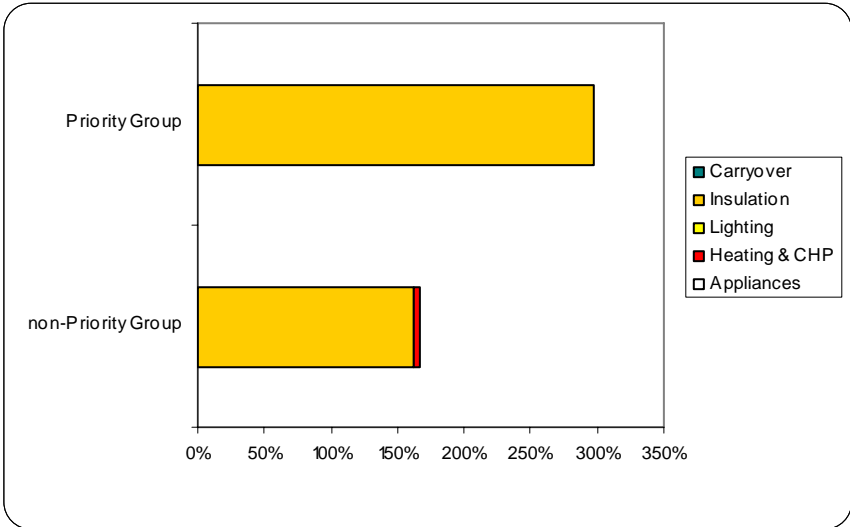
Measure	EEC2 Year 1	EEC2 Year 2
Insulation	61.3%	397.6%
Lighting	0.0%	0.0%
Heating	0.0%	6.0%
Appliances	0.0%	0.0%

### Targeting the Priority Group

2.68. As shown in figure 2.23, by the end of the second year of EEC2, Telecom Plus exceeded its Priority Group target by a threefold, and achieved 160 per cent of its non-Priority Group target. It is important to note that Telecom Plus is a considerably smaller supplier than the other active suppliers and these results reflect this. Telecom Plus will be eligible to carry over to the CERT or to trade its overachievement in the Priority and non-Priority Group with other suppliers.

2.69. Energy savings delivered to the Priority Group consumers have been met with insulation measures. All of energy savings achieved with heating have been delivered to the non-Priority Group consumers. These energy savings account for 6 per cent of Telecom Plus' target.

Figure 2.23 Telecom Plus - achieved energy savings by consumer type as a percentage of its target



### 3. Measures delivered during the first two years

#### Chapter summary

This chapter provides information on the types and numbers of measures that suppliers have promoted in EEC2. Where appropriate, the information presented covers the measures carried over from EEC1 and those achieved in the first and second years of EEC2.

This chapter also provides a brief overview of the take up of the innovative action and energy service incentives.

3.1. Suppliers use a range of delivery mechanisms to reach their target, but offering measures direct to consumers has been the main delivery route for achieving energy savings over the first two years of EEC2. Other delivery routes have included partnering with SHPs, retailers, manufacturers and linking in with the government's Warm Front programme.

#### Insulation

##### Numbers of measures

3.2. Nearly 80 per cent of the total energy savings achieved to the end of the second year of EEC2 have come from insulation measures. This is a slight fall in the overall share compared to the end of the first year and this particularly reflects the increase in activity seen in lighting and heating measures. To the end of the second year of EEC2 roughly 890,000 households have had cavity wall insulation and nearly 760,000 have had loft insulation. This is an increase of 460,000 and 390,000 respectively from the end of the first year of the programme.

**Table 3.1 – The number of cavity wall and loft insulation installations to the end of year 2**

	Cavity wall	Loft
Number of measures installed to end of year 2	890,000	760,000

3.3. Suppliers have also supported the DIY loft insulation sold through retailers. A number of other insulation measures have also been supported, but these generate a much smaller level of energy savings and include draught proofing, hot water tank jackets and solid wall insulation.

##### Delivery routes

3.4. The largest share of the energy savings achieved to the end of the second year of EEC2 has been achieved through insulation in the non-Priority Group. These

measures have been promoted directly to consumers either by the suppliers themselves or by their project partners. The table below shows the split of energy savings achieved through insulation in the Priority and the non-Priority Groups to the end of the second year of EEC2.

**Table 3.2 – The contribution from installed insulation to the end of year 2 to the total achieved energy savings**

	Priority Group	non-Priority Group
Contribution to total EEC2 savings achieved to end of year 2	25.5%	30.8%

3.5. Insulation measures for Priority Group households have been promoted in a number of ways, but predominantly working direct with consumers, forming partnerships with SHPs and working with the Warm Front programme.

3.6. Activity carried out with the SHPs continues to be popular with the suppliers as it allows them to target large numbers of Priority Group households and to lever in additional funding. When working with the Warm Front programme, the suppliers fully fund the insulation measures being supported, allowing the grant for the Warm Front programme to focus on heating measures.

## Lighting

### Numbers of measures

3.7. The share of energy savings achieved through lighting measures to date is only 8 per cent. However, this equates to approximately 43 million CFLs and 1.3 million luminaires. This is respectively an increase of 28 million and 750,000 delivered to the end of the first year. The table below shows that the majority of the lamps delivered to the end of the second year have been to the non-Priority Group.

**Table 3.3 – The contribution from lighting installed to end of year 2 to the total savings achieved and an estimate of the numbers of measures installed**

	Priority Group	non-Priority Group
Contribution to total EEC2 savings achieved to end of year 2	2.9%	4.9%
Estimated numbers delivered	16,000,000	27,000,000

### Delivery routes

3.8. Throughout the first two years of EEC2 the main delivery routes for CFLs have been through retailers and providing them for free to consumers in the Priority Group. The lamps that have been promoted through retail outlets include not only the large supermarkets and DIY outlets, but also a large number of independent lighting retailers. The majority of the recipients of the lamps sold through retailers are in the non-Priority Group.

3.9. The lamps that are provided to consumers for free are distributed through a number of different project partners including the the Warm Front managing agent, SHPs, charities and local agencies. Lamps that are sold at a cost to consumers are limited in number and only make up a small share of the energy savings that have been achieved by the suppliers.

**Table 3.4 Estimate of the number of CFLs to end of year 2**

	Priority Group	non-Priority Group
Retail	3,300,000	21,000,000
non-retail	12,500,000	6,200,000

## Heating

3.10. Heating measures contribute roughly 5 per cent of the total energy savings achieved to date. This activity covers a wide variety of heating measures including boiler replacements, heating controls, fuel switching and a number of innovative heating measures such as ground source heat pumps, solar water heating and community heating systems. Given the wide range in the energy savings achieved by these measures, it is not possible to estimate the numbers of measures delivered to date. However, the majority of the energy savings achieved are measures delivered to the non-Priority Group.

**Table 3.5 – The contribution from heating installed to end of year 2 to the total savings achieved**

	Priority Group	Non-Priority Group
Contribution to total EEC2 savings achieved to end of year 2	1.2%	3.7%

## Delivery routes

3.11. From 1 April 2005 the Building Regulations required that almost all replacement boilers were SEDBUK B rated. This change encouraged a number of suppliers to work with major gas boiler manufacturers and an oil boiler manufacturer to fully transform the market and encourage the production of A-rated boilers. The remainder of the boiler replacement activity has been through partnerships with SHPs and supporting installers.

3.12. A number of suppliers are supporting the installation of ground source heat pumps in EEC2. This has led to an increase in the numbers installed over EEC1 where only one supplier promoted these measures. A number of suppliers have also expressed an interest in installing solar water heating measures. The level of this microgeneration activity relative to the main insulation and heating measures is at a very low level, but it has increased over what was delivered in EEC1.

3.13. A range of suppliers continue to promote fuel switching measures in EEC2. These measures have been promoted through a number of mechanisms, including

with installers, direct to consumers to encourage them to switch their heating fuel type and working with SHPs.

3.14. Suppliers have also set up schemes to improve the efficiency of communal heating systems. Some suppliers have formed partnerships for the installation of CHP units. Other schemes have been targeted at improving the efficiency of how these systems are controlled.

## Appliances

3.15. Energy savings achieved by appliances make up 2.4 per cent of the total energy savings to the end of the second year. This low share reflects the low energy saving that is achieved per measure. However, an initial indicator from a number of the banking reports suggests that a large number of cold and wet appliances are being promoted by the suppliers. Of the cold appliances that have been promoted only a very small share has been A+ rated, roughly 2 per cent of the total, with a negligible number of A++ rated appliances.

## Delivery routes

3.16. The main delivery route for cold and wet appliances has been through the national retailers. The monitoring of these consumers shows that the majority of these consumers are in the non-Priority Group.

**Table 3.6 – The contribution from appliances installed to end of year 2 to the total of achieved savings**

	Priority Group	non-Priority Group
Contribution to total EEC2 savings achieved to end of year 2	0.4%	2.0%

3.17. A number of suppliers have also submitted schemes that promote a number of different energy efficient consumer electronic products. These measures for instance eliminate the consumption of set top boxes and curb the stand-by consumption of a computer's peripherals. The schemes that promote these measures have been with both the manufacturers and the retailers of these products. The energy savings from these measures only make a small fraction of the total energy saving, however, the numbers of measures distributed is very large.

## Innovative action

3.18. The EEC2 Order provides an incentive for the suppliers to promote innovative action by increasing the energy saving accredited to these measures by 50 per cent. This incentive is capped to 10 per cent of each supplier's target. Ofgem has approved a range of measures as innovative primarily as a result of the measures being new to the programme. The measures involved include a range of energy efficient appliances including consumer electronic products and also a number of

heating measures including ground source heat pumps and also CHP measures. While the incentive for innovative activity has increased the range of measures that are promoted by the suppliers, this activity only makes up a small fraction of the energy savings that have been achieved. Overall, if this pattern continues, suppliers are unlikely to utilise the full 10 per cent permitted for innovative measures.

### **Energy service action**

3.19. Suppliers are incentivised to deliver measures as part of an energy service scheme. As with innovative action the measures promoted through this delivery route are attributed with a 50 per cent increase to the energy savings. A number of the suppliers have set up energy service schemes, but at this stage it is difficult to say how successful these have been as they are coupled together with the suppliers other activity to promote measures directly to consumers.

## 4. Emerging issues

### Chapter summary

This chapter highlights some of the key issues for consideration that have arisen to the end of the second year of EEC 2.

### The progress to the end of the second year

4.1. Suppliers increased their levels of energy efficiency activity in the second year of EEC2. The energy savings achieved show that all suppliers have made good progress against their targets with two actually having achieved the energy savings to comply. Most suppliers still have some energy savings to achieve, particularly in the Priority Group. All suppliers have in place proposed activity that should ensure that they comply with their obligations.

4.2. Throughout the course of the second year of EEC2 supplier activity has continued to be more focused on those consumers in the non-Priority Group. During the course of the first two years of the programme, despite the overall obligation requiring the suppliers to balance their activity between the Priority and the non-Priority Groups, roughly 60 per cent of the supplier activity has been in the non-Priority Group. However, a result of the suppliers being so far ahead of their target this share in their activity will be enough, at the current rate of activity, to ensure compliance with the overall obligation.

4.3. By the end of the second year of EEC2, the suppliers had achieved more than 123 TWh of energy savings. However, because some of the suppliers have overachieved against their non-Priority Group targets only 120 TWh of this will count against an EEC2 obligation, with nearly 4 TWh already being carried forward by the suppliers into the new CERT programme. As a result of this overachievement in the non-Priority Group, the suppliers still have roughly 10 TWh of energy savings to achieve in EEC2; instead of the 7 TWh that might have been assumed from the energy savings that have been achieved to date.

4.4. The 10 TWh of energy savings to be achieved in the Priority Group in the final year of EEC2 is a comparatively small amount, relative to what has already been achieved. However, given the current run rate of Priority Group activity by the different suppliers the date by which each supplier will actually comply with their obligation will vary. As noted above, two suppliers have already met their targets while others, given the current run rate of their activity, will need until penultimate or even the final quarter of the obligation period to comply. This will have implications for the balance of energy savings achieved by each supplier at the start of the new CERT programme.

## Measures the suppliers have used

4.5. The energy savings achieved by the suppliers has continued to be dominated by insulation measures. Nearly 80 per cent of the energy savings achieved, over the course of the first two years of EEC2, have been through the installation of insulation measures. This activity has been met primarily through a split between cavity wall and loft insulation. The energy savings achieved by the other measures, despite some being high volume products, is quite low as the energy saving per measure is very low.

4.6. Throughout the course of the second year of EEC2 suppliers have continued to promote a large number of CFLs. During the second year of EEC2 suppliers have distributed a further 28 million low energy lamps. The delivery of these lamps has been primarily through subsidising their price through retail outlets and providing them free of charge to the Priority Group. With respect to the lamps that are being promoted, there continues to be a range promoted, but a large number have a shorter lifetime than the 10,000 hours that was assumed in the target setting process.

4.7. Throughout the second year of EEC2 suppliers have continued to explore new ways of delivering measures to consumers and considered the delivery of new measures. In particular, during the second year suppliers have increased their promotions of low energy efficient consumer electronic products. This activity will help to ensure that the products that are being promoted to consumers for the digital TV switch over are efficient. The promotion of these types of products is the main activity being accredited under the incentive to promote innovative action. However, a number of other products have been incentivised including some microgeneration measures.

## Targeting the Priority Group

4.8. The energy savings delivered to the Priority Group have been dominated by provision of insulation measures. These measures have been delivered in a number of ways notably forming partnerships with social housing providers, providing measures free of charge to consumers and forming alliances with the government's and the devolved administration's fuel poverty schemes. The majority of the remaining energy savings have been achieved through low energy light bulbs, with roughly 16 million being distributed to the Priority Group. The energy savings from heating measures in the Priority Group is at a very low level, with the energy savings from appliances being negligible.

## The forthcoming year

4.9. Ofgem will continue to work closely with the suppliers on their schemes, overseeing the progress and ensuring that their completion reports accurately reflect the measures that they have actually installed under the EEC2 programme. Ofgem will also continue to work closely with Defra on the final preparations for the new

CERT programme, ensuring the information we gather as administrators is used to inform the decisions on how the programme should be developed. We will also finalise the supplier guidance for the new CERT programme in time for the suppliers to submit their activity in the New Year.

**Appendices****Index**

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## Appendix 1 - Suppliers' licences

**Table of the supplier groups and licences that have been set a target for the EEC 2005 – 2008**

<b>Supplier</b>	<b>Licence</b>	<b>Fuel</b>
British Gas	British Gas Trading Ltd	Gas
	British Gas Trading Ltd	Electricity
EDF Energy	EDF Energy Customers Plc	Gas
	EDF Energy Customers Plc	Electricity
	Seeboard Energy Ltd	Gas
	Seeboard Energy Ltd	Electricity
Npower	npower Commercial Gas	Gas
	npower Direct Ltd	Electricity
	npower Direct Ltd	Gas
	npower Gas Ltd	Gas
	npower Ltd	Electricity
	npower Northern Ltd	Gas
	npower Northern Supply Ltd	Electricity
	npower Yorkshire Supply Ltd	Electricity
	YE Gas Ltd	Gas
	Electricity Plus Supply Ltd	Electricity
Gas Plus Supply Ltd	Gas	
Opus Energy	Opus Energy Ltd	Electricity
Powergen	Powergen Retail Ltd	Gas
	Powergen Retail Ltd	Electricity
Scottish and Southern Energy	Southern Electric Gas Ltd	Gas
	SSE Energy Supply Ltd	Electricity
ScottishPower	Scottish Power Energy Retail Ltd	Gas
	Scottish Power Energy Retail Ltd	Electricity
Telecom Plus	Telecom Plus Plc	Gas
	Telecom Plus Plc	Electricity

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## Appendix 2 – The Authority's Powers and Duties

1.1. Ofgem is the Office of Gas and Electricity Markets which supports the Gas and Electricity Markets Authority ("the Authority"), the regulator of the gas and electricity industries in Great Britain. This Appendix summarises the primary powers and duties of the Authority. It is not comprehensive and is not a substitute to reference to the relevant legal instruments (including, but not limited to, those referred to below).

1.2. The Authority's powers and duties are largely provided for in statute, principally the Gas Act 1986, the Electricity Act 1989, the Utilities Act 2000, the Competition Act 1998, the Enterprise Act 2002 and the Energy Act 2004, as well as arising from directly effective European Community legislation. References to the Gas Act and the Electricity Act in this Appendix are to Part 1 of each of those Acts.<sup>2</sup>

1.3. Duties and functions relating to gas are set out in the Gas Act and those relating to electricity are set out in the Electricity Act. This Appendix must be read accordingly<sup>3</sup>.

1.4. The Authority's principal objective when carrying out certain of its functions under each of the Gas Act and the Electricity Act is to protect the interests of consumers, present and future, wherever appropriate by promoting effective competition between persons engaged in, or in commercial activities connected with, the shipping, transportation or supply of gas conveyed through pipes, and the generation, transmission, distribution or supply of electricity or the provision or use of electricity interconnectors.

1.5. The Authority must when carrying out those functions have regard to:

- The need to secure that, so far as it is economical to meet them, all reasonable demands in Great Britain for gas conveyed through pipes are met;
- The need to secure that all reasonable demands for electricity are met;
- The need to secure that licence holders are able to finance the activities which are the subject of obligations on them<sup>4</sup>; and
- The interests of individuals who are disabled or chronically sick, of pensionable age, with low incomes, or residing in rural areas.<sup>5</sup>

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<sup>2</sup> entitled "Gas Supply" and "Electricity Supply" respectively.

<sup>3</sup> However, in exercising a function under the Electricity Act the Authority may have regard to the interests of consumers in relation to gas conveyed through pipes and vice versa in the case of it exercising a function under the Gas Act.

<sup>4</sup> under the Gas Act and the Utilities Act, in the case of Gas Act functions, or the Electricity Act, the Utilities Act and certain parts of the Energy Act in the case of Electricity Act functions.

<sup>5</sup> The Authority may have regard to other descriptions of consumers.

1.6. Subject to the above, the Authority is required to carry out the functions referred to in the manner which it considers is best calculated to:

- Promote efficiency and economy on the part of those licensed<sup>6</sup> under the relevant Act and the efficient use of gas conveyed through pipes and electricity conveyed by distribution systems or transmission systems;
- Protect the public from dangers arising from the conveyance of gas through pipes or the use of gas conveyed through pipes and from the generation, transmission, distribution or supply of electricity;
- Contribute to the achievement of sustainable development; and
- Secure a diverse and viable long-term energy supply.

1.7. In carrying out the functions referred to, the Authority must also have regard, to:

- The effect on the environment of activities connected with the conveyance of gas through pipes or with the generation, transmission, distribution or supply of electricity;
- The principles under which regulatory activities should be transparent, accountable, proportionate, consistent and targeted only at cases in which action is needed and any other principles that appear to it to represent the best regulatory practice; and
- Certain statutory guidance on social and environmental matters issued by the Secretary of State.

1.8. The Authority has powers under the Competition Act to investigate suspected anti-competitive activity and take action for breaches of the prohibitions in the legislation in respect of the gas and electricity sectors in Great Britain and is a designated National Competition Authority under the EC Modernisation Regulation<sup>7</sup> and therefore part of the European Competition Network. The Authority also has concurrent powers with the Office of Fair Trading in respect of market investigation references to the Competition Commission.

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<sup>6</sup> or persons authorised by exemptions to carry on any activity.

<sup>7</sup> Council Regulation (EC) 1/2003

## Appendix 3 - Glossary

Accreditation	– the determination of the energy savings attributable to measures under the EEC.
BREDEM	- Building Research Establishment Domestic Energy Model.
CERT	- Carbon emissions reduction target.
CFLs	- Compact fluorescent lamps (energy efficient light bulbs).
CHP	- Combined Heat and Power.
dCHP	- Domestic Combined Heat and Power.
Defra	- Department for Environment, Food and Rural Affairs.
DIY	– Do-it-yourself
DTI	– Department of Trade and Industry
EEC1	- Energy Efficiency Commitment, 1 April 2002 – 31 March 2005.
EEC2	- Energy Efficiency Commitment, 1 April 2005 – 31 March 2008.
EESoP 1	– Energy Efficiency Standards of Performance 1 April 1994 – 31 March 1998
EESoP 2	– Energy Efficiency Standards of Performance 1 April 1998 – 31 March 2000
EESoP 3	– Energy Efficiency Standards of Performance 1 April 2000 – 31 March 2002
EST	– Energy Saving Trust
Fuel-standardised energy savings	– energy savings that have been adjusted according to the carbon concentration of each fuel. These coefficients are set out in the EEC Order and are as follows: coal 0.557, electricity 0.801, gas 0.353, LPG 0.398 and oil 0.464.
GWh	- Giga watt hour (1 million kilo watt hours).
HEES	– Home Energy Efficiency Scheme
HRE	– the Heat Replacement Effect
Lifetime discounted	– the projected energy savings for measures (as set out in Defra's target setting model) were discounted over the lifetime of the measure by the standard Treasury rate of 3.5 per

	cent per year.
LPG	- Liquid petroleum gas.
MtC	- million tonnes of carbon
The Order	- The Electricity and Gas (Energy Efficiency Obligations) Order 2004 Statutory Instrument number 3392.
Priority Group	- defined in the EEC Order as those household receiving one of the follow benefits: council tax benefit, housing benefit; income support; an income-based jobseeker's allowance, an attendance allowance, a disability living allowance, a war disablement pension together with a mobility supplement or a payment under constant attendance allowance; industrial injuries disablement benefit where it includes constant attendance allowance and state pension credit. Child tax credit and working tax credit are included where the household's relevant income is less than £14,600.
SEDBUK	- Seasonal efficiency database of boilers in the UK.
SHP	- Social Housing Provider, a Local Authority or a Registered Social Landlord.
Supplier activity	- energy efficiency work undertaken by suppliers to meet their energy efficiency targets.
Target setting model	- Defra's assumptions and the calculations used in setting the overall EEC target, as set out on their website: <a href="http://www.defra.gov.uk">www.defra.gov.uk</a> .
TWh	- Tera Watt hours (1,000 GWh).