

# EEEC UPDATE

Issue 2 October 2002

Energy Efficiency  
Commitment Key Facts:

**Nearly a tenth  
of the suppliers'  
overall energy  
saving target  
achieved so far**



**Above:** Charles Hargreaves discussing the Energy Efficiency Commitment with Neil Morton of Birmingham City Council at the NEA conference

The Energy Efficiency Commitment (EEC) places an energy efficiency obligation on electricity and gas suppliers. It requires them to meet an energy saving target between 1 April 2002 and 31 March 2005.

The EEC has been set up by DEFRA as part of the drive to reduce carbon emissions from households and to promote the social benefits of energy efficiency, with more than half of the energy savings to be targeted at the 'priority group' - households that receive income related benefits or tax credits.

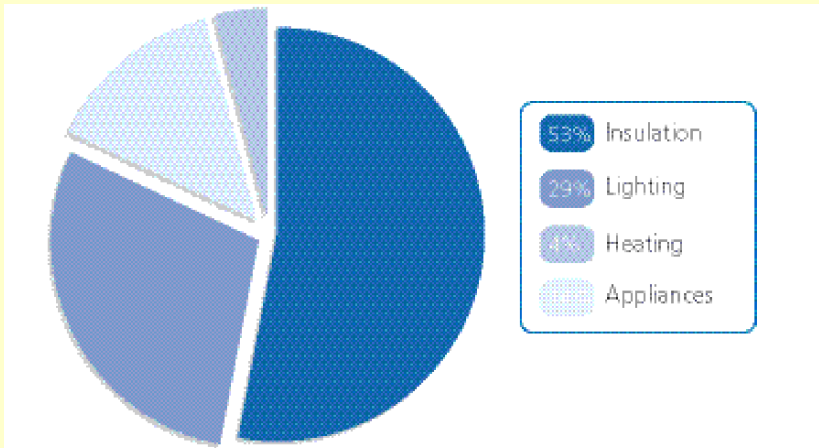
Ofgem's role is to oversee suppliers' work by approving each scheme they set up and by monitoring progress. Suppliers provide quarterly reports to Ofgem to enable us to monitor the delivery of their schemes. The second set of these

reports has now been received. The information presented in this report draws on the both schemes and the quarterly reports that have been submitted to Ofgem.

The EEC has been designed to be flexible. Suppliers will not only be accredited with gas and electricity energy savings but also savings in coal, oil and LPG. The flexibility of the programme also encourages the suppliers to explore new measures and develop new delivery routes. To date the majority of the schemes suppliers have submitted have been generic in nature and involved

standard insulation, lighting, heating and appliance measures. However, there have been several schemes including new heating technologies such as solar thermal collectors and heat pumps. Additionally, several suppliers have expressed an interest in CHP, including the development of micro CHP.

Eleven suppliers were set an EEC target in January 2002. The overall target of 62TWh has been apportioned between suppliers according to their domestic customer numbers.



**Chart 1:** Delivered energy savings by measure type, as a percentage of the total energy savings achieved

## Energy efficiency measures delivered

As highlighted above the actual delivery of suppliers' schemes is monitored through the quarterly returns. The second of these returns are now in and show that measures equating to 5,900 GWh in energy savings have been installed or delivered in the first six months of the EEC. This is an increase of 3,900 GWh over the previous quarter.

While this outcome shows that the suppliers are behind the average delivery rate of 5TWh per quarter necessary to meet the overall target, it does not highlight the step change required in the level of activity required from EESoP 3.

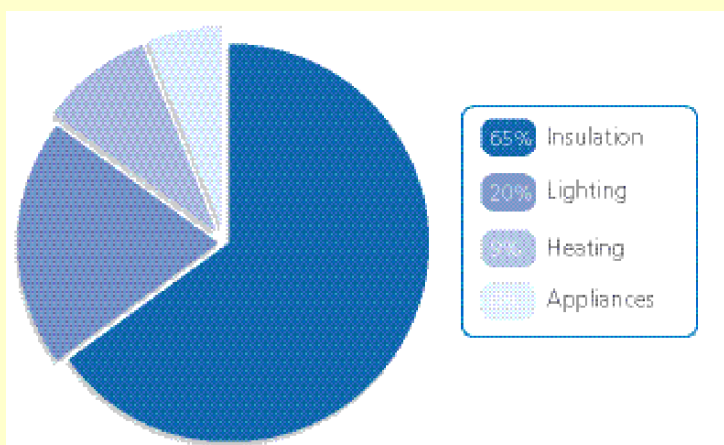
Analysis carried out by the EST for Ofgem suggests that although the increase in the indicative spend to reach the target is threefold the actual level of energy efficiency activity required from suppliers to meet their targets is nearly five fold. Therefore although the activity to date suggests suppliers are behind their required level of activity they have already increased their level of activity by a factor of four.

In addition, suppliers are allowed to carry over to the EEC excess energy savings accrued from their EESoP 3 work. Anecdotal evidence suggests that most suppliers will have some energy savings to carry over from their EESoP 3 programmes.

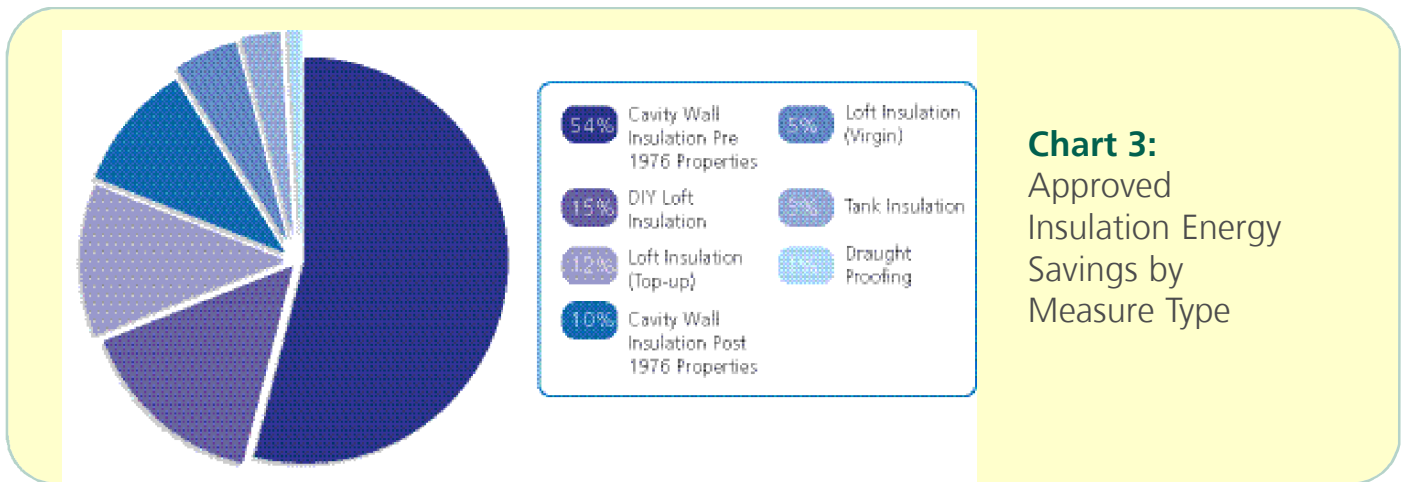
**Chart 1** shows the break down of the energy saving measures delivered by suppliers so far. This data shows that insulation installed is below the suppliers' expected outturn.

Market intelligence suggests that it is harder to promote and install insulation measures during the summer months and as a result suppliers' work at this stage appears to be more focused on the delivery of energy efficient lighting and appliances.

It will be interesting to note how these figures change in the next quarter, the first winter quarter of the EEC.



**Chart 2:** Approved energy savings by measure type, as a percentage of the total energy savings approved



**Chart 3:**  
Approved  
Insulation Energy  
Savings by  
Measure Type

## Energy efficiency measures approved

Suppliers began submitting energy efficiency schemes to Ofgem in February of this year. **Chart 2** shows the expected outturn of the suppliers' schemes. Of the four main categories of work, insulation is expected to form the largest component of energy saving measure employed.

**Chart 3** breaks down the insulation work by type of measure. It can be seen that the energy savings from cavity wall insulation are expected to outweigh the energy savings from all the other insulation measures put

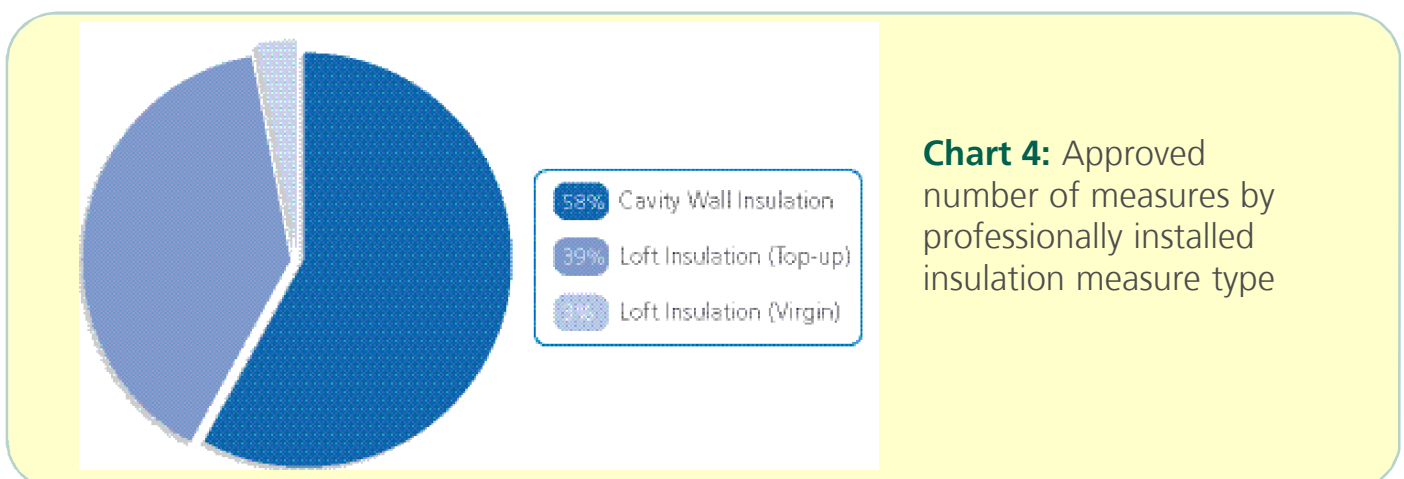
together. This primarily reflects the business decisions of suppliers to target the measures with the higher energy savings. For instance, energy savings from top-up loft insulation are very much lower than energy savings from loft insulation in a roof with no insulation (a virgin loft) and from cavity wall insulation.

Data from the BRE suggests that more than 90 per cent of all households have some loft insulation. This fact is reflected in **Chart 4**. The energy savings from approved, virgin loft insulation schemes account for almost a third of the total energy savings from professional loft insulation, yet the number of jobs is expected to be less than 5 per cent.

## Priority and non-priority schemes

Suppliers' initial schemes are more focused on delivering measures to the non-priority group. This emphasises the fact that the suppliers are finding the tighter definition of the priority group in the EEC harder to target compared with that used under the EESoP programme, which included pensioners and rural customers.

The majority of priority work will be delivered in partnership with Local Authorities and Housing Associations. This will allow suppliers to effectively target the priority group and leverage extra funding. The initial insulation and heating work may therefore focus upon the non-priority group whilst suppliers set up partnerships with Local Authorities and Housing Associations.



**Chart 4:** Approved  
number of measures by  
professionally installed  
insulation measure type

# Other EEC work areas

## The EST's Energy Efficiency Campaign

The EST is running an energy efficiency campaign for a month beginning 14 October. The activity includes television, radio and other outdoor advertising. Additionally the Energy Efficiency Advice Centres have enhanced their activity. Some suppliers are running improved promotions during this month to try and take advantage of the public's increased awareness of energy efficiency.

## The NEA Conference

**In September Charles Hargreaves addressed NEA's annual conference in Manchester. His talk on the Energy Efficiency Commitment highlighted some of the key issues for suppliers and the progress of suppliers to date.**

The audience were well aware of the Energy Efficiency Commitment and were keen to discuss their problems in accessing funding. The main area of discussion was the fact that some fuel-poor households fell outside the definition of the priority group and consequently would not be eligible for 100 per cent funding from suppliers' schemes.

While it was generally agreed that targeting households on benefit was administratively simple, it was considered

appropriate to consider a widening of the net to allow all fuel poor to be part of the priority group. However, it was agreed that it would be difficult to define the priority group to include all fuel poor, without making the group large and potentially lacking in focus.

The other main area of discussion revolved around how easy delegates found it to integrate their work with the Energy Efficiency Commitment and Warm Front.

Some delegates thought that it would be better to have one national energy efficiency programme. Comments from the suppliers suggested that they considered that they could deliver energy efficiency measures cheaper than the Warm Front programme.

## Energy efficiency team



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A list of suppliers with an EEC target can be viewed at [www.ofgem.gov.uk](http://www.ofgem.gov.uk)

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