

EEEC

UPDATE

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Energy Efficiency Commitment Key Facts

- **Quarterly energy savings at highest level yet - energy efficiency measures delivered between July and September 2003 will save 8.6 TWh of energy.**
- **The British Research Establishment (BRE), the EEC auditors, say the first round of auditing has been "very successful".**
- **Predictions indicate the EEC will save 0.44 millions tonnes of carbon (MtC) a year by 2005.**



All smiles from the auditors. From left to right - Neil Cutland, Kate Mills, Richard Hartless and Nick Hewitt from the BRE with Emma Chetwynd (far left) and Kate Smith (far right). See back page for full story.

Halfway to the target

The EEC (2002 -2005) requires energy suppliers to save 62TWh of energy by providing energy efficiency measures to households across Great Britain.

Eighteen months into the three year programme, suppliers have achieved almost 31 TWh of energy savings, equivalent to 49.95 per cent of the overall target. There has been a sharp increase in progress over the last quarter and measures installed between July and September will lead to energy savings of 8.6 TWh. This is a 66 per cent increase in savings compared to the previous quarter and reverses the downward trend of the past nine months.

However, it should be noted that over 1TWh of the quarter's savings can be attributed to measures purchased from the Government's

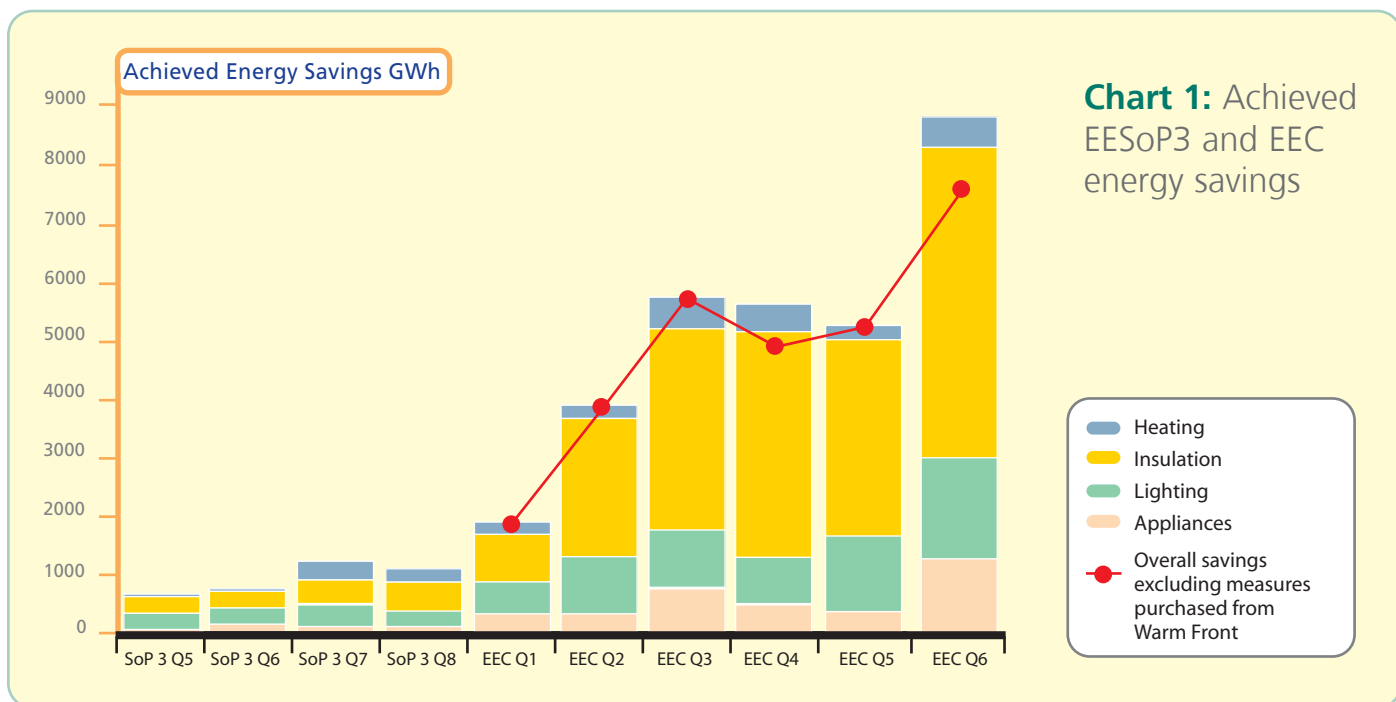
Warm Front programme. This programme runs throughout England and offers a grant of up to £1,500 (or £2,500 for Warm Front Plus) to eligible households for a package of energy efficiency and heating measures.

Suppliers are able to purchase measures that have been installed under the programme on the condition that the funds are used to install further similar measures. As all households eligible for Warm Front measures are within the EEC Priority group, integrating with Warm Front or the devolved administrations' equivalents - Warm

Deal, the Central Heating Programme and Welsh HEES - is an easy way for the suppliers to target the priority group in large numbers.

Chart 1 (overleaf) illustrates the energy savings achieved on a quarterly basis for the final year of the EESoP 3 programme and the first half of the EEC. The red line on the chart shows the energy savings achieved each quarter without measures purchased from the Warm Front programme. For quarter six, without these measures, the energy savings are 7.5 TWh.

(continued overleaf)



(Halfway to the target continued)

Following this quarter's leap in installed measures, the average energy savings that suppliers must achieve in each of the remaining six quarters to ensure that the target is met now stands at 5.2 TWh.

The suppliers' work has surpassed this level of savings in three out of the four previous quarters with the one

exception, between April and June 2003, being just 10GWh short of this figure. (This represents 161 cavity wall insulations in electrically heated homes.) Therefore, it seems the suppliers are well on the way to achieving the overall 62TWh target by 2005.

Measure mix

Energy savings from insulation measures dominate the measure-mix in the summer months. Even without the insulation measures purchased from Warm Front, there has been almost a 25 per cent increase in the energy savings attained compared to the last quarter.

During the previous EESoP 3 programme, insulation activity was clearly lower during the spring and summer months. It would appear that the EEC is smoothing the cyclical demand.

There has been a sharp increase in the energy savings from appliances over the last quarter. Even though some of the reported savings result from appliances sold earlier in the year, indications suggest a 135 per cent increase in energy savings compared to the previous quarter. The increased number of appliances, particularly cold appliances, sold through EEC schemes during the summer months reflects the annual trend of recent years. While difficult to judge, the hot summer months may be associated with an increase in sales of cold appliances as old fridges and freezers struggle in the warmer temperatures.

From data provided within suppliers proposals and quarterly returns, it has been estimated that almost 2,500,000 A-rated cold and wet appliances have been purchased due to suppliers' EEC work and a further 35,000 fridges and fridge-freezers through Fridgesavers schemes directed at Priority group households. Within the target-setting model for the programme, Defra expected a total of 780,000 A-rated appliances over the whole three years.

Energy savings from CFLs have also peaked this quarter which, on first reflection, seems somewhat surprising considering lighting sales are usually higher during the winter months.

Indications from suppliers show that the majority of lamps are being delivered for free to Priority group households either through charity partners or with other insulation measures. If this is the case, the large numbers of lamps distributed this quarter could in part reflect the equally huge numbers of insulation measures.

Heating measures account for just 5 per cent of the total energy savings although energy savings are at a comparable level to previous quarters.

Carbon flash

In the target-setting model for the EEC, Defra estimated that the programme would cut greenhouse gas emissions by around 0.41 million tonnes of carbon (MtC) (1.5 MtCO₂) a year by 2005.

Looking forward, the Energy White Paper states that "a continuation and further expansion of EEC, or some

successor mechanism, could deliver a further 3 MtC of savings by 2020." Current estimates from suppliers' EEC proposals and quarterly returns indicate that the current EEC will save very roughly 0.44 MtC (1.61 MtCO₂) a year by 2005, the slight increase resulting from the type of lighting measures suppliers have decided to employ.

Priority group

To recognise the social benefits of energy efficiency, 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.

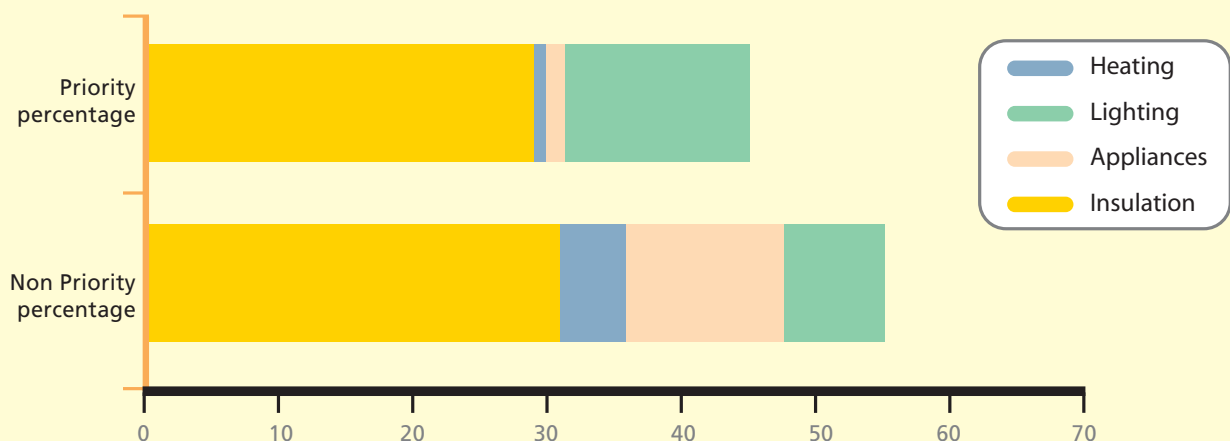
Chart 2 shows the percentage of energy savings that have been achieved within Priority and non-Priority households. To date, 45 per cent of the savings lie in the Priority group which is a two percentage point decrease on the previous quarter.

Early October saw the introduction of the Pension Credit which is included in Defra's amended definition of the Priority group. To reflect the changes to Working Families'

Tax Credit, Disabled Person's Tax Credit and Children's Tax Credit made earlier in the year, households in receipt of either Child Tax Credit or Working Tax Credit and with an income of less than £14,200 are now also classed as being within the Priority group.

Defra estimate that this will increase the size of the Priority group from 8.8 million to 9.9 million consumers.

Chart 2: Energy efficiency measures for the priority and non-priority groups, as a percentage of the overall delivered energy savings



Energy savings as a percentage of the delivered savings

Auditing success

An important component of the EEC is the auditing of the suppliers' schemes. Ofgem commissioned the Building Research Establishment (BRE) to review a number of EEC schemes to ensure that suppliers could demonstrate clearly that the claimed energy savings are being achieved.

The first round of auditing was undertaken during the summer months with a total of twelve schemes being reviewed.

Every supplier with an EEC obligation had at least one scheme audited. To maintain an element of surprise, while ensuring practicality, each supplier was informed in advance of a number of schemes that might potentially be audited, but the exact schemes were only revealed on the day of the visit.

BRE used a small team of auditors - Kate Mills, Nick Hewitt, Stuart Blofeld and Tim Grainger - who visited the suppliers to interview the scheme manager and review the relevant documentation.

"It was particularly important to check for evidence of the types and numbers of measures that the suppliers are

installing or selling," remarked Kate. "Priority group monitoring is also a key area," added Nick. "Suppliers must have robust procedures in place to ensure the householder is in receipt of the relevant benefits or tax credits, along with meeting their other customer satisfaction and quality monitoring requirements."

The auditing team also paid specific attention to the ways in which measures are being delivered, especially when social housing or retail partners are involved.

Dr Neil Cutland, Associate Director of the BRE, commented: "The first round of auditing has proved very successful. The team have really enjoyed working with the suppliers and are looking forward to the second round of auditing in the later stages of the EEC."

Energy efficiency team



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A list of suppliers with an EEC target can be viewed at www.ofgem.gov.uk

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