

EEEC UPDATE

Issue 9 August 2004



Facilitating debate: some of the attendees at Ofgem's Energy Efficiency Summit

Publication! Publication! Publication!

- **Ofgem's review of the first two years of the EEC**
- **Ofgem's consultation on the administration of the EEC 2005 - 2008**
- **The NAO's report on household energy efficiency**

The EEC (2002 -2005) requires energy suppliers to save 62TWh of energy by providing energy efficiency measures to households across Great Britain. The EEC is primarily a carbon saving programme and as such is part of the Government's Climate Change Programme.

To ensure that the benefits energy efficiency brings are shared equally with low income customers, 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.

Suppliers have flexibility in the types of energy efficiency measures that they provide to customers, such as insulation, lighting, appliances and heating measures.

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

Defra are proposing to extend the EEC from 2005 - 2011, at a level roughly double that of the current EEC. Defra is currently consulting on the energy saving target to be met by suppliers between April 2005 and March 2008. There will be a further review of the EEC in 2007.

Ofgem's report to the Secretary of State

A review of the EEC to the end of the second year

On 29 July, Ofgem published its second Annual Review of the EEC which fulfils its statutory duties to report to the Secretary of State each year of the EEC.

The Review details each of the supplier's progress in meeting their energy efficiency targets from 1 April 2002 - 31 March 2004.

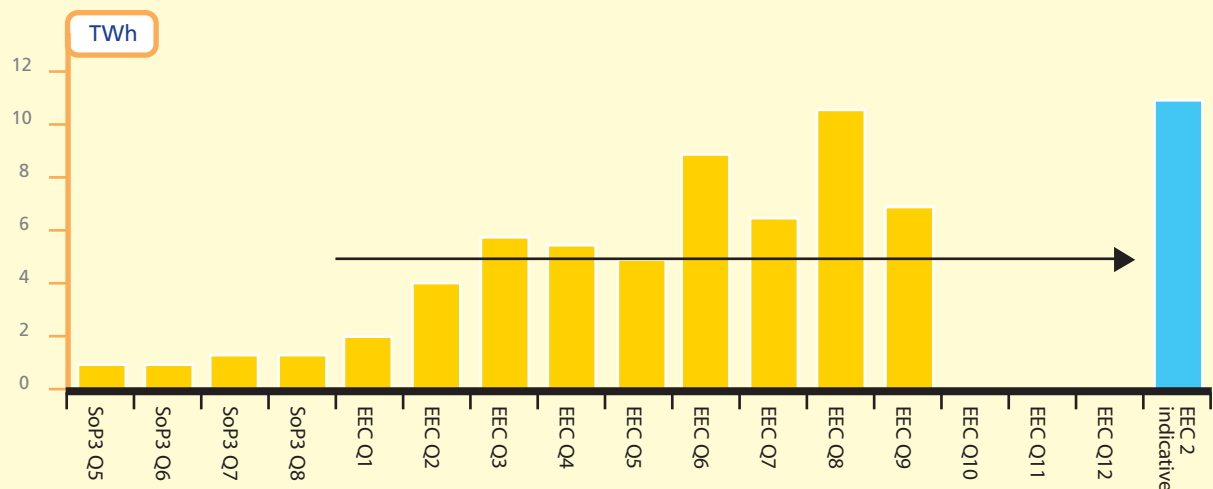
The six largest active suppliers have each achieved over 60 per cent of their energy saving targets. One supplier - Cambridge Gas - has met its target in full. Cavity wall insulation and energy efficiency lamps have been the most popular measures so far and this looks set to continue.

Ofgem has also taken the opportunity to provide some further analysis within its Review to help inform the development of the EEC post-2005.

Data compiled from the suppliers scheme proposals has been used to make a comparison of Defra's target-setting model with the measures Ofgem expects to be installed over the three years. Information on the consumers expected to benefit from the EEC programme has also been provided.

Ofgem's analysis suggests that around 5 million Priority Group households and between 5 and 6 million other households will benefit from at least one energy efficiency measure during the EEC which will be sufficient to outweigh the costs of the programme.

Chart 1: The energy savings delivered by suppliers April 2001 - June 2004 and the indicative average required each quarter of the EEC 2005-2008



The arrow shows the indicative average delivery rate required under the current EEC

Supplier progress April - June 2004

The line on **Chart one** shows that suppliers have been able to continue delivering energy savings above the indicative average of 5 TWh each quarter. Suppliers have now delivered enough energy efficiency measures to save 54 TWh which relates to 87 per cent of the overall target.

This means that, in theory, suppliers have to deliver just 8 TWh during the remaining eight months of the programme. Of this, measures need to be delivered to save 7 TWh in relation to Priority Group consumers and the remaining 1 TWh through other households. In practice, however, it is more likely

that suppliers will endeavour to maintain the current delivery rate, if not accelerate it, to gear up to the EEC 2005 - 2008.

Chart one indicates the average delivery rate of energy savings which suppliers will need to deliver to meet the proposed EEC 2005 - 2008 target.

To enable a smooth transition for suppliers and the industry from the current EEC to the next, Defra is proposing that suppliers can carry over any energy savings they have achieved in excess of their current EEC targets and count it towards their obligation from 2005 - 2008.

Ofgem's Energy Efficiency Summit 2004

Ofgem held its second Energy Efficiency Summit on 29 July to launch its Annual Review of the EEC.

The event was well attended by forty key players in the energy efficiency arena: energy suppliers, other government departments and a range of other interested stakeholders.

From Ofgem, Virginia chaired the event and Kate and Charles delivered the first session of the Summit to present the suppliers' progress to date and to identify the emerging issues from the first two years of the EEC.



Jerry Cant, NAO



From left to right: Emma Chetwynd, Ofgem; Andrew Amato, EST; Mike Lock, nPower

The second session looked at the broader issues surrounding the EEC for consideration during the development of EEC post-2005. Jerry Cant from the National Audit Office (NAO) outlined the findings from its report into Ofgem's work on the Social Action Plan and household energy efficiency.



Continuing the debate over lunch



From left to right: Eion Lees; Charles Hargreaves, Ofgem

The presentation focused on the NAO's research into the EESoP and EEC programmes. One of their recommendations is that further monitoring be conducted into the actual energy savings from different measures.



From left to right: Dr Boaz Moselle, Ofgem; J Collins, Green Alliance; J Thurston, Powergen; Virginia Graham, Ofgem

In recognition of this, Ofgem invited Ken Double from the Energy Saving Trust to present the latest results from monitoring domestic energy efficiency measures. The Summit was concluded by Carsten Rohr of Defra who provided an interesting comparison of the target-setting methodology for the current EEC with that proposed for the EEC 2005 - 2008.

The Energy Efficiency Commitment 2005-2008

Administration procedures consultation document

Ofgem has published a consultation document on its proposals for administering the EEC post-2005. The document sets out procedures by which Ofgem proposes to distribute the overall target to each supplier.

Ofgem will assess each supplier's scheme proposals for compliance with their targets and will regularly monitor their delivery. Ofgem's consultation document also sets out criteria for suppliers to demonstrate that their activity is additional to business as usual and provides guidance on how the energy savings from individual measures will be calculated.

Suppliers are required to monitor their energy efficiency schemes in a number of ways to demonstrate that they have met the appropriate quality standards, that the consumer is satisfied with the installation and to

determine the number of recipients that are in the Priority Group. Ofgem welcomes views on its proposals and the closing date for responses is Monday 13 September 2004. Defra, on completing their consultation process, will set the overall energy saving target and the statutory framework for the next EEC.

Copies of Ofgem's response to Defra are available on request. Ofgem will finalise its administration procedures in light of the responses to the consultation and to reflect the Statutory Instrument when it is laid before Parliament in November.

The next phase of the EEC will officially start on 1 April 2005. It is proposed that Ofgem will set each supplier's target in January 2005 and suppliers will then be able to start delivering new schemes to count towards those targets.

Copies of the documents are available at www.ofgem.gov.uk

or by emailing eec@ofgem.gov.uk or on 020 7901 7290

Contacting the suppliers

The contact details for those suppliers with an EEC target are available on Ofgem's website

Energy efficiency team



Contact details

Charles Hargreaves	Head of Energy Efficiency	Tel 020 7901 7459	Email charles.hargreaves@ofgem.gov.uk
Kate Smith	Deputy Head of Energy Efficiency	Tel 020 7901 7488	Email katharine.smith@ofgem.gov.uk
Emma Chetwynd	Energy Efficiency Manager	Tel 020 7901 7476	Email emma.chetwynd@ofgem.gov.uk
Fiona Kenyon	Energy Efficiency Assistant Manager	Tel 020 7901 7155	Email fiona.kenyon@ofgem.gov.uk

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We do this by:

- promoting effective competition, wherever appropriate
- regulating only where necessary.

