

**The Energy Efficiency Commitment 2005 -
2008**

**Responses to Ofgem's consultation on the
administration procedures**

December 2004 290/04b

Summary

Ofgem's Energy Efficiency Commitment (EEC) 2005 – 2008 Administration Procedures consultation was published in May 2004. The consultation followed on from Defra's consultation on the EEC 2005 – 2008, including the draft Statutory Order. This document provides a summary of the responses to that consultation.

The Electricity and Gas (Energy Efficiency Obligations) Order 2004 (the Order), which provides the statutory basis for the EEC 2005 – 2008 came into force on 23 December 2004.

Thirteen organisations responded to Ofgem's consultation. In general, the respondents were supportive of Ofgem's proposals for administering the EEC. Some respondents asked Ofgem to ensure that the administration procedures are pragmatic and not too prescriptive. The suppliers stated that the procedures should not increase the suppliers' costs over those assumed by Defra in target setting and that they should not restrict a supplier's energy efficiency activity. The responses to Ofgem's consultation have been published on Ofgem's website, www.ofgem.gov.uk.

Following the consultation process and the Order coming in to force, Ofgem's decisions on the EEC 2005 – 2008 Administration Procedures are available on its website.

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1. Summary of responses

Energy efficiency targets

- 1.1. Defra's consultation referred to the possibility of altering targets, through a revision to the Order. One supplier was concerned that Ofgem may make changes to the targets and if so, should notify the suppliers first. In general, the suppliers did not raise any concerns over the proposals for setting their targets although four suppliers did not agree with using Defra's adjustment factor in this process. Two suppliers said that the 15,000 domestic consumer limit proposed by Defra should be applied to a supplier group, rather than to an individual licensee. One supplier questioned the need to set targets on each licensee and why Ofgem suggested changing the definition of consumer to be *customer*.
- 1.2. Ofgem's procedures for target setting reflect the final Order. Those suppliers with a least 50,000 domestic customers (including affiliated licences) will be eligible for an obligation. If Defra were to make any changes to the Order throughout the course of the EEC 2005 – 2008, then Ofgem would consider changing its procedures for target setting.

Suppliers' proposed actions

- 1.3. Suppliers asked for clarification on what constituted a change to an action. They were keen for it to be a material change to a scheme, excluding factors outside of their control, to avoid the need for resubmission. They did not, for example wish to notify Ofgem each time a new channel is added or removed.
- 1.4. Ofgem will consider a change to an action to be something that requires a change to the Scheme Notification pro forma, for example proposals to change the promotion and deliver of CFLs and appliances, proposals to add another measure type or heating type, or proposals to work with another manufacturer or retailer. Where suppliers set up framework insulation schemes, such as partnerships with social housing providers, they may wish to consider including all types of insulation measures within the initial

submission to avoid the need for resubmission. Suppliers will no longer be required to inform Ofgem if a scheme, which is being delivered as proposed, increases by 125% of the energy savings proposed.

- 1.5. One supplier pointed out that Ofgem's EEC Scheme Spreadsheet should have been produced as part of the consultation.
- 1.6. Unfortunately, Defra's target setting model was not finished to enable Ofgem to do this.
- 1.7. One supplier supported the use of electronic mail and requests that Ofgem sets up a standard response to confirm receipt.
- 1.8. Ofgem will confirm the receipt of a notification once it has checked that all of the necessary information has been provided.
- 1.9. One supplier suggested a more flexible schedule for processing notifications of proposed and completed actions, with Ofgem processing schemes within four weeks of receipt, rather than from the start of the month. The same supplier did support Ofgem's suggestion that suppliers notify their proposals within one month of it starting and asked for the initial notification period of 3 January to be more flexible.
- 1.10. Ofgem has discussed how the Scheme Notification Schedule could possibly be changed. Having a fixed schedule enables Ofgem to plan and manage its workload. The Order allows suppliers to notify Ofgem of their proposals within one month of the action commencing. Ofgem is unable to assess supplier's proposals before the Order comes into force.
- 1.11. The clarity of the proposals for carry over were welcomed by two respondents. One supplier asked that the new rules don't dictate which measures can be carried over, for example, they do not know what R value their loft insulation is under the current EEC.
- 1.12. Ofgem's final report on the EEC 2002 - 2005 to the Secretary of State will be published by 31 July 2005 and will need to detail each supplier's carryover. Ofgem will develop set rules for carry over and a dedicated pro forma to aid reporting.

- 1.13. One supplier believed the proposals for transferring energy savings to be flawed and arduous. They requested that the procedures be simplified.
- 1.14. Ofgem believes that the transfer of energy savings should only be allowed when the action has been completed, to avoid any disputes of who conducts the monitoring.
- 1.15. One supplier requested the ability to transfer part of an obligation to another supplier, ie the Priority Group or non Priority Group elements of their obligations.
- 1.16. This point has been raised under the EEC 2002 – 2005 and Ofgem has sought legal guidance on it. Each supplier is set one target and the Priority Group requirement is a feature of that one target. Therefore, the Priority Group and non Priority elements of the target cannot be separated for transfers of obligation.
- 1.17. One supplier commented that it was a sensible suggestion for suppliers to trade their obligations onto one licence.
- 1.18. Each supplier will be set one target for each licence they hold and compliance will have to be demonstrated against each target. Therefore, Ofgem will continue to encourage suppliers to trade their targets on to one licence to aid administration. However, Ofgem will consider it reasonable to withhold agreement where a transfer would result in a supplier being likely to contravene the requirement placed on it in the Order to meet its obligation.
- 1.19. Six respondents agreed with the proposal to collect cavity wall insulation numbers each quarter. It was also suggested that the numbers of boilers, CFLs, loft insulations (including the proportion of virgin lofts) be recorded each quarter. One supplier said that these numbers should be approximate. One organisation thought that the information previously collected each quarter had been insufficient and offered to provide information on a quarterly basis also.

- 1.20. Ofgem would like suppliers to provide the cumulative numbers of households receiving cavity wall insulation and loft insulation each quarter. This can be an approximation.
- 1.21. One organisation suggested that a standardised, thorough and compulsory reporting process be implemented for annual reports.
- 1.22. Ofgem encourages suppliers to produce an annual report each year to inform their customers, however it is not a necessary reporting requirement.

Compliance

- 1.23. One supplier did not believe that the provision of monitoring data should determine whether or not the energy savings from a scheme can be claimed.
- 1.24. The results of these monitoring requirements are all part of a supplier's action and will help determine what the improvement in energy efficiency actually is.
- 1.25. One supplier pointed out that information provided by third parties was not always suitable to be submitted in an electronic format.
- 1.26. Ofgem will continue to accept hard copies of such information.
- 1.27. One supplier was concerned that the timescales suggested for auditing are not sufficient to allow suppliers time to change their procedures, if necessary. They suggest that the auditing in 2007 takes place in the first six months of the year. Three suppliers stated that it is not always relevant to check whether a legal contract is in place with project partners.
- 1.28. Ofgem has reviewed the auditing timetable and will conduct the first round of auditing during the second half of 2005/2006, with the second round of auditing starting in August 2007.
- 1.29. Three organisations welcomed the proposal to carry out mystery shopping. They were in favour to ensure high levels of customer service and to check the measures installed. The main six obligated suppliers were not in favour and questioned the reasons for Ofgem's proposed mystery shopping,

believing that extensive monitoring is already conducted. One supplier did suggest using mystery shopping to audit properties claiming virgin lofts, though another suggested that such a survey should be carried out through auditing or consumer satisfaction. Suppliers sought clarification on whether the costs would be passed on to suppliers and pointed out that a sample would be of a small size. One organisation suggested that where measures are installed through a third party, they should be interviewed. Another organisation suggested that the EEC be scrutinised by the National Audit Office (NAO) and Public Accounts Committee (PAC) to increase its accountability.

- 1.30. Ofgem intends to keep open the option of additional monitoring for the financial year 2006/2007. The NAO has carried out a review of Ofgem's work and published its report in July 2004. The PAC discussed the findings of the report in September 2004.
- 1.31. One supplier asked whether compliance could be determined prior to 31 March 2008.
- 1.32. Compliance can be determined prior to 31 March 2008 if a supplier's final target has been set and they have fulfilled the necessary criteria, ie all of their actions have been taken, notified and the improvement in energy efficiency determined; and at least 50% of that improvement is in the Priority Group.
- 1.33. One supplier asked for clarification on whether a fine could be imposed if it were 'possible' that a supplier contravenes their target.
- 1.34. Ofgem's powers enable it to address a possible breach of the EEC target if it considers it necessary.

Qualifying action

- 1.35. One supplier commented that Housing of Multiple Occupation should be eligible for measures delivered by the suppliers under the EEC.
- 1.36. People living within Housing of Multiple Occupation (HMOs) will be considered to be domestic consumers where the HMO is their

permanent residence and the property is used mainly for domestic purposes. For example, those in shared houses would be considered domestic consumers but not those staying in temporary hostels.

- 1.37. Most suppliers commented they considered the notion of additionality to be outdated. Their view was that the target under EEC 2005 - 2008 was so much larger than anything the energy efficiency industry had delivered in the past that if certain schemes failed to deliver a prescribed level of extra sales then much higher levels of sales would have to be reached elsewhere in order to comply with their targets. Suppliers further noted that having to prove additionality for retail schemes created a certain amount of uncertainty because there was no guarantee that the supplier would be accredited with all the energy savings that had been supported through a scheme.
- 1.38. However, a number of other respondents commented that they considered the concept of additionality to be important and that the suppliers should demonstrate additional levels of activity in their schemes. One respondent noted that it was of particular importance in relation to the Building Regulations while another respondent noted that it considered the 20% additionality threshold suitable for retail CFL and retail DIY loft schemes.
- 1.39. Ofgem considers the concept of additionality to be important especially for social housing schemes where the project partner could have had energy efficiency activity in progress or would have had a number of its properties already insulated. In addition, it remains important in heating schemes where comparisons need to be made to legal minimum standards.
- 1.40. It was noted that consumers should be able to make a request for measures over the internet. Ofgem agrees with this.
- 1.41. A number of respondents commented that it was not appropriate to set levels of additionality for retail schemes because these schemes were often affected by factors that are outside the control of the suppliers and consequently in some cases supplier marketing activity would only ever manage to maintain sales levels rather than increase them.

- 1.42. A number of the suppliers also commented that in addition to the general reasons why it was not appropriate to demonstrate additional sales for retail schemes in the case of DIY loft insulation, it was not appropriate because of the amount of material being distributed to retail outlets was being rationed. It was also noted that as the market for insulation materials increases into EEC 2005 - 2008 this trend is likely to continue.
- 1.43. Ofgem considers that market dynamics for DIY loft insulation are different to those for retail CFLs and therefore intends to maintain the additionality level of 20% for DIY insulation retail schemes. If suppliers consider that they have evidence to suggest that their scheme has been adversely affected by supply side issues, Ofgem will take this into consideration when evaluating the energy savings from their scheme. DIY loft insulation is considered to be a mature technology that continues to need monitoring.
- 1.44. A number of respondents commented that they considered it appropriate that all A+ and A++ rated appliances should be considered additional. It was noted that these classifications had only been introduced in summer 2004 and presently the market share of these appliances is very low. One supplier noted that as the current sales levels for appliances were heavily influenced by the uplift in energy savings that is available, it should therefore be expected that the sales level of energy efficient appliances would not be maintained.
- 1.45. Ofgem considers that schemes that promote A+ and A++ rated appliances are additional. Other appliance schemes need to demonstrate an increase in market share of A-rated (including A+ and A++) appliances. The baseline for these schemes will be based on the latest sales data for the twelve months preceding the scheme.
- 1.46. A number of respondents commented that they would like to see the working arrangements with Warm Front, and the devolved equivalents, being clarified. One respondent commented that it would be necessary to clarify how the payments for measures would be made in future.
- 1.47. Defra is not currently proposing to put mechanisms in place for formal interaction of the EEC and Warm Front.

The Priority Group

- 1.48. A number of suppliers suggested that consumers were not always willing to reveal their income and consequently it was difficult to tell whether households that claimed the Working Tax Credit or the Families Tax Credit were in the Priority Group. It was suggested by one supplier that in some cases it might be more appropriate to use socio-demographic information to determine the Priority Group. In addition, one supplier noted that sometimes a consumer claims to be in the Priority Group, but is not willing to prove it.
- 1.49. Other suppliers commented that they approved of the idea of using a form for monitoring the Priority Group when working with charities, while another supplier suggested that declarations confirming the Priority Group have to be collected from project partners before a project commences so the supplier can decide on what the appropriate level of funding is.
- 1.50. Ofgem considers it important that where a supplier is working directly with the consumer that it checks receipt of benefits before claiming the measure in the Priority Group. Where the consumer is unwilling to divulge their income level (in relation to the Child Tax Credit and the Working Tax Credit) the supplier could ask the consumer to indicate whether their income is above or below the relevant threshold.
- 1.51. Most of those who replied on the use of statistical methods to accredit the proportion of consumers in the Priority Group agreed that this was a sensible way to proceed. However, there was some concern about the sizes of the samples required for small schemes. Some respondents commented that the use of a 95% confidence level at a confidence level of 1% was onerous. It was also suggested that the methodology for accrediting the Priority Group share of the energy savings should be consistent across all schemes and that it was not appropriate to offer a number of accreditation routes.
- 1.52. One respondent suggested that the suppliers should be able to claim the Priority Group share of the energy savings based on the data that it had

managed to collect. While another suggested that getting representative samples was difficult.

- 1.53. Ofgem considers the use of statistical methods to be appropriate. Where the sample size could go above 5%, it will be capped at 5%. However, Ofgem considers that it is not appropriate for the suppliers to decide the thresholds for monitoring the Priority Group. This will ensure consistency across the suppliers.
- 1.54. Two suppliers sought clarification on how energy service schemes would be accounted for in the EEC. One was concerned that the measures promoted under the 28-day rule trial would not be eligible under the EEC. A second supplier was concerned about the separate reporting of measures under the trial.
- 1.55. Measures delivered as part of an energy services scheme can be claimed under the EEC. Separate scheme reporting is required so that the trial can be monitored.

Improvements in energy efficiency

- 1.56. One respondent commented that it would not favour the use of *ex post* appraisal for measures that suppliers were using on their schemes. Another thought it was important that the scope for deviation in the measures that have been employed by suppliers on their schemes was clarified.
- 1.57. *Ex post* accreditation will only be used when no other form of accreditation is possible, for example new measures where field trials have not been completed.

Insulation

- 1.58. Only a few respondents replied in relation to the use of average energy savings for cavity wall insulation. Three were in favour of the use of averages, although one commented that in the specific cases of very thick cavity walls suppliers should be allowed to claim the extra energy savings that thicker insulation would bring. However, one supplier commented that it was not appropriate to use an average cavity wall width because widths

vary regionally and this puts the suppliers that work in areas with wider cavity wall widths at a disadvantage, because it increases their costs.

- 1.59. With respect to loft insulation, a number of respondents commented that they considered it appropriate to use average energy savings for the accreditation of loft insulation and supported the move to requiring suppliers to install additional material to a specified R value (thermal resistance). However, a number of the suppliers suggested the constraints in the manufacturing industry meant that it was appropriate for the suppliers to be allowed to insulate to any level they considered appropriate, perhaps just topping up with 100mm whatever the initial level of installed insulation. Another supplier commented that some social housing providers and the Scottish Executive are only prepared to install insulation to 200mm. As a result Ofgem should be prepared to accredit this lower level of insulation.
- 1.60. One respondent commented that it should be assumed that the existing insulation has a lambda value (thermal characteristics) of 0.044W/mK and not 0.04W/mK as quoted. It was further noted that if a lambda value of 0.044W/mK was used then the installed insulation would need to be 275mm thick to reach a U-value of 0.16W/m²K. Another respondent noted that in future the majority of the loft insulation on the market will have the same lambda value, when there was originally expected to be a slight difference. As a consequence it was suggested that it might be appropriate to continue accrediting loft insulation based on the additional thickness.
- 1.61. The energy savings that Ofgem accredits for cavity wall insulation are based on the average cavity widths from around Great Britain and include extremes where the walls have a cavity of more than 10cm. Ofgem is not convinced that it is necessary to accredit different energy savings for different cavity widths. With respect to using R values for accrediting loft insulation, these were suggested because at the time of drafting the consultation the two major manufacturers of loft insulation indicated that they were planning to make their products to different lambda values. This is no longer the case. Consequently, Ofgem suggests that it would be sensible to accredit loft insulation based on the thickness installed rather than R value. Insulating to a thickness of 270mm with material that has a

lambda value of 0.044W/mK will reach a U-value of 0.16 W/m²K because the joists and the ceiling will have a thermal resistance and this needs to be accounted for in the calculations.

- 1.62. A number of respondents, including some of the suppliers, commented that they were happy for a correction factor to be used in the accreditation of DIY loft insulation. This is to make an allowance for the material that is not used, and for the material that is used in structures that are covered by the Building Regulations and for structures other than lofts, as long as this was taken account of in the target setting model. Other suppliers though, did not think that the use of any correction factors was appropriate, suggesting that the material could be used to keep other structures warm and so although not used for the purposes of saving energy through a loft, it would save energy. In some instances it was considered that the figures presented in the consultation paper had not been verified and consequently it was not appropriate to use them, although one respondent did suggest that more work be carried out to verify the suggested levels.
- 1.63. With respect to the amount of material that went unused, one supplier noted that consumers would make the best use out of the material they had purchased and would stretch what they had to cover the area they needed to insulate. It was also noted that any unused complete rolls would be returned to the retail outlet and as a consequence the amount of unused material would be minimal. However, another respondent felt that the amount of unused material that is not returned was not minimal, suggesting that consumers would not make a special journey to a DIY outlet to return just one roll of material.
- 1.64. The evidence from the suppliers' monitoring suggests that it is not appropriate to accredit all the insulation that is sold through DIY outlets. Ofgem has estimated the amount of material that is not used and Defra have included this factor within their target setting model.
- 1.65. There was general support for the use of a 30% correction factor for DIY radiator panels. One respondent commented that roughly 70% of households were suitable to have radiator panels installed because either the cavity was not filled or the house had solid walls. The 30% represented

the remainder of the housing stock where the walls are not appropriate. The same respondent went on to comment that they considered it appropriate to extend this correction factor to the professionally installed panels as well.

- 1.66. The 30% correction factor was determined, as suggested, based on the proportion of homes that have unfilled cavities and solid walls of the whole housing stock. For all panels the evidence suggests that it is not appropriate to install them on internal walls nor in homes that have cavity walls that have been insulated. Ofgem therefore proposes to ensure that the accreditation of professionally installed radiator panels reflects this.
- 1.67. There were only a few comments on the date from which it should be assumed that all households have a filled cavity wall. One respondent suggested that there are still some homes being built without cavity wall insulation in Scotland while another suggested that there were homes being built in England and Wales after 1982 without cavity wall insulation. One respondent suggested that to be certain that a home has cavity wall insulation in England and Wales it has to have been built after 2002.
- 1.68. Ofgem considers that to be sure that a home in England and Wales has a filled cavity it has to have been built after 2002. For other properties suppliers should try and ascertain whether the property has a filled cavity.
- 1.69. One supplier commented that it was not clear how Ofgem would accredit tank insulation moving forward, while another commented that it was appropriate to consider the expected increased hot water usage to 2010 in the accreditation of tank jackets.
- 1.70. The accreditation of tank insulation will be consistent with the other insulation measures that have been used in the target setting illustrative mix.
- 1.71. With respect to draught proofing one respondent suggested that the energy saving calculations needed to be brought in line with the energy savings for the other insulation measures. Another respondent suggested that high infiltration rates needed to be more clearly defined.
- 1.72. Several respondents commented that they considered the 13% difference in the energy savings for the Priority and non Priority Group insulation energy

savings in Defra's target setting model needed further explanation by Defra. One supplier indicated that it was not clear whether this factor would affect the way supplier schemes are accredited.

- 1.73. This factor will not influence the way the suppliers' schemes will be accredited.

Lighting

- 1.74. Two respondents believed that suppliers should offer a mix of lamps through all CFL delivery routes to help improve the use of the lamps. One supplier said that different wattages could be accommodated depending on the cost of the measure. Another supplier suggested that different wattages are provided only when more than two CFLs are provided to a consumer.
- 1.75. For direct CFL offerings requiring a cost contribution, a choice of number and wattage of lamps should be offered to the consumer. For those schemes providing four free CFLs to consumers requesting them, a mix of wattage of lamps should be provided.
- 1.76. Five respondents supported having an average saving per lamp for high and medium use CFLs. One supplier requested a definition of high, medium and low use CFL fittings and another noted that new lamps are smaller and enable CFLs to be fitted in high use fittings which were previously unavailable. This respondent went on to suggest that four additional high use fittings should now be considered available in each household. Further monitoring of CFL activity during the next EEC was encouraged by one supplier. Two respondents suggested that the same average savings should apply to low use CFLs, with one believing that Ofgem are trying to discourage such activity. One supplier asked why Ofgem is assuming that a person receiving one free CFL would install it in a low use fitting when Ofgem also assumes a recipient of four CFLs would install them in medium and high use fittings. One organisation confirmed their agreement with the requirement for CFLs to be Energy Efficiency Recommended.
- 1.77. Ofgem will calculate an average saving per lamp for CFLs going into high and medium use fittings. A separate energy saving will be calculated for low use CFLs. Each household is expected to have around three high use fittings,

six medium use fittings and nine low use fittings. On the question of why one respondent thought that Ofgem is assuming that one free CFL would be installed in a low use fitting when Ofgem also assumes a recipient of four would install them in medium and high use fittings, the difference is that in the former case the bulbs are given to people who may not want them rather than those who have requested them and are therefore more likely to use them. Ofgem has reviewed the limit of one free CFL for low use fittings, as set out below.

- 1.78. One organisation noted that the energy savings for measures will not change over the course of the EEC and asked whether the lifetimes of measures can be increased.
- 1.79. The improvement in energy efficiency attributable to a measure, and the estimate of its lifetime, will not be altered during the course of the EEC 2005 – 2008.
- 1.80. One respondent agreed with all the limits for CFLs suggested. One supplier did not raise any queries on the limits suggested.
- 1.81. One supplier considers that there is not sufficient scope to deliver the volumes predicted by Defra via retailers and therefore direct delivery will be important. Five respondents believe that direct offerings of CFLs should be classed the same as retail sales and therefore that no limits should apply. One supplier thought that the limit of six CFLs is restrictive and should not apply to candle bulbs or certain other bulbs. One supplier suggested monitoring the recipients to determine whether or not the measures had been installed. One organisation commented that if people pay for CFLs they will use them and offering a mix is not necessary. One supplier agreed with this by saying that the choice should be the same as that in a retailer and not be prescriptive (in part due to the average energy saving being used which allows suppliers to offer what the consumers want). One supplier thought that retail schemes were being treated in a more favourable manner than direct schemes.
- 1.82. It is assumed that the average household already has two CFLs. Therefore the direct delivery of CFLs purchased by suppliers should be limited to six and be awarded with high or medium use savings. An additional four can

be purchased by consumers, for low use fittings. Suppliers must monitor and cross check the recipients of such schemes throughout the course of the EEC to ensure that they do not receive more than ten CFLs, and to ensure that the correct energy savings are claimed. A choice of number and wattage must be offered also. Due to the way in which such schemes are promoted to consumers, Ofgem will continue to treat direct delivery separate to retail CFL schemes.

- 1.83. Two suppliers agreed with limiting free CFLs to four per household although one did not agree with consumers having to request them due to the increased cost.
- 1.84. Another supplier thought that no distinction should be made between those schemes where customer details are collected and those where they are not. They commented that the proposed procedures of collecting names and addresses could deter Social Housing Providers (SHPs) and charities from delivering CFLs. It was accepted that where there is no direct customer action, there is a risk of the lamps not being used. To combat this one supplier suggested an adjustment factor is used where CFLs are delivered without customer consent. One respondent asked Ofgem to bear in mind the costs of the requirements for free CFLs distributed by charities and they questioned the limit of four free CFLs when consumers could have received CFLs from other suppliers.
- 1.85. Where CFLs are provided for free, there is no guarantee that consumers want, or will use, the bulbs. Ofgem does not consider an adjustment factor to be appropriate for such schemes and so suppliers must ask consumers whether they wish to receive the CFLs upfront. Names and addresses of those requesting the CFLs should then be collected to demonstrate the request. If the measures are offered by post, consumers should be required to return a form consenting to receive the CFLs. If they are offered in person, eg by an installer or charity, the consumer should sign to show they wish to receive the CFLs. Where names and addresses can be collected four CFLs can be provided for free. A mix of wattages should be offered. Where suppliers choose to work with charities to deliver CFLs for them and the charity is unable to pass on names and addresses to a supplier, it can sign a declaration to confirm that all of the recipients did request the measures.

Ofgem will develop a declaration to be used by all third parties distributing CFLs.

1.86. One respondent strongly agreed with the names and addresses of consumers benefiting from free CFLs being collected and another acknowledged the uncertainty of whether the free CFLs will be installed. A supplier believed this to be impractical and thought it may deter people from accepting CFLs. Two respondents accepted this approach where it is practical and cost effective, one example being when an energy service contract is signed, consumers should confirm if they wish to receive CFLs. Two other respondents only thought this approach would be practical if more than two CFLs are provided for free and one organisation suggested the limit of one should be changed to four. It was noted that a balance needs to be struck between ensuring the Priority Group is met and putting consumers off receiving measures. Collecting names and addresses, said one respondent is not practical for SHP or charity partners who may not have the infrastructure to collect such details and have to consider the Data Protection Act. The people likely to benefit are likely to be vulnerable. One supplier said that Ofgem's proposal for acquiring names and addresses does not guarantee that all of the CFLs will be used in high or medium use fittings. Alternative suggestions were:

- the project partner signing a declaration and collecting some details such as surnames and postcodes,
- getting consumers to sign for the CFLs
- people registering for measures before going to collect them.
- selling CFLs to consumers and charging a small fee such as 50p or £1
- discounting the improvement in energy efficiency by a factor evaluated by Ofgem.

1.87. Where a supplier or their project partners are unable to ask consumers if they wish to receive CFLs and record their names and address as proof, up to two CFLs can be provided for free. High / medium use energy savings

will be attributed to these CFLs. Where the CFLs have been distributed by a third party, they will be required to sign a declaration.

- 1.88. One supplier thought that all retail sales should be considered additional and questioned whether requiring additional sales would put smaller retailers at a competitive disadvantage compared to larger, national retailers. It was suggested that a distinction be made between DIY stores and supermarkets as the latter now account for more sales. Suppliers also raised concerns about cheaper imported CFLs which are not Energy Efficiency Recommended, eroding the available market. For this reason one organisation viewed the 20% increase as a barrier to CFL retail schemes. One supplier suggested that where a supplier can demonstrate that they have subsidised the cost of the CFLs, they do not need to increase sales by a certain percentage to demonstrate additionality.
- 1.89. Under the EEC 2005 - 2008, suppliers will no longer be required to increase retail sales by 20% of the previous year's sales in order to demonstrate additionality. Instead, suppliers must provide a marketing plan with their proposal to demonstrate their activity throughout the scheme. This will show the influence on the sales of CFLs.
- 1.90. Other general points were made in relation to CFLs. One respondent suggested that other lamps which may not be used in standard medium / high fittings should be included, such as sensor lights for security.
- 1.91. Lighting schemes involving measures such as candle bulbs and sensor lights will be assessed on a case by case basis.

Appliances

- 1.92. There was widespread support for providing different energy savings for A, A+ and A++ rated appliances, although one suggested that this should only be taken forward if the savings are appreciably different. A number of the suppliers suggested that they would like the incentive of appliances used in the current programme to be maintained.
- 1.93. Some suppliers commented that they did not consider it necessary for suppliers to remove an appliance from a consumer's property for 'trade-in'

appliance schemes. One supplier suggested that the suppliers should be required to offer this service but that disabling an appliance should remain an option. It was noted that this would ensure that those that could not afford to have their appliance taken away would not be disadvantaged. Another supplier suggested that how old appliances are treated in the future will be affected by the WEEE directive and as a consequence it would be more appropriate for suppliers to work to the old procedures until the Waste Electrical and Electronic Equipment Directive comes into force at which time it is likely that what happens to the old appliance will be legislated for elsewhere.

- 1.94. The energy savings for A, A+ and A++ rated appliances will be accredited separately. Ofgem considers that for trade in schemes the old appliance should be removed from the premises. With respect to the WEEE directive, it is not clear how this will affect appliance schemes in the future; when the details are finalised it may be appropriate to reissue guidelines on how these schemes should be operated.
- 1.95. A number of the suppliers responded in respect to how consumer electronics should be accredited. One respondent suggested that the sales weighted average would be the most appropriate base from which to approve these products while another expressed concern about how voluntary agreements would be treated. Another suggested that Ofgem should seek independent advice on the industry's voluntary agreements and the mandatory minimum standards.
- 1.96. Ofgem considers that the most appropriate way to take this forward is to accredit appliances that already exist in the market on the basis of a comparison to the sales weighted average. In relation to new appliances, Ofgem considers the comparison should be to the minimum standard for that technology.

Heating

- 1.97. One supplier expressed some concern about the lack of clarity around what would represent an exception to installing a condensing gas boiler under the Building Regulations after April 2005. Another respondent suggested

that suppliers claiming for boilers that are exceptions to the Building Regulations should have their Boiler Assessment Questionnaires audited. It was generally noted that the change in the Building Regulations would lead to a sharp reduction in the energy savings that suppliers would be able to claim in the EEC. One respondent suggested, therefore, to encourage the suppliers to install A-rated boilers in the least efficient (solid wall) homes the suppliers should be able to claim the extra credit from these properties because the energy savings would be higher.

- 1.98. Some suppliers also commented that they did not consider that it was clear what heating controls they would be able to claim in future under the EEC. Another supplier noted that the list of features for intelligent heating controllers was not comprehensive enough and that there were other products that suppliers should be able to claim an energy saving for.
- 1.99. For the accreditation of boilers that are exceptions to the Building Regulations in England and Wales, suppliers have to be able to demonstrate that the Boiler Assessment Questionnaire for the household indicated that the consumer was not obliged to install a condensing gas boiler. Boilers that are installed in Scotland will be accredited compared to a 78% efficient baseline. However, after 2006 this will be influenced by any changes to the Scottish Building Regulations.
- 1.100. A number of respondents commented that it was appropriate to keep the accreditation of central heating fuel switching from full and partial systems separate, although one supplier suggested that it would be better to accredit a single figure for fuel switching. One respondent noted that it considered that it might be appropriate to revisit the energy savings for fuel switching from focal point fires. The same respondent suggested that Ofgem should be careful accrediting energy savings for fuel switching schemes that might lead to an increase in fuel costs for the consumer. It was noted that this was most likely to happen in schemes that led to a switch to an LPG heating system.
- 1.101. One supplier commented that Ofgem should have used the information provided by the suppliers to develop the accreditation of fuel switching schemes. The same respondent commented that it was pleased that

alternative heating systems could be claimed under the EEC but considered that Ofgem should consider funding from different sources.

- 1.102. The supplier data on fuel switching schemes that were submitted to Ofgem at the beginning of 2003 suggested that it was appropriate to maintain separate reporting for fuel switching schemes from houses with focal point fires and full central heating systems. Ofgem considers it appropriate to continue separate reporting for EEC from 2005.
- 1.103. Another supplier commented that it was happy for the system of accrediting CHP (combined heat and power) and district heating schemes to be taken forward on a case by case basis.
- 1.104. One supplier commented that given the heat replacement effect had been modelled using a system such as ApacheSim, suppliers should be allowed to use this system for the accreditation of new measures as well. However, another respondent commented that it was important that the accreditation of measures was consistent with the system that is used for existing measures. It was also noted that the cost of having new measures accredited was a disincentive and that it might be appropriate to provide manufacturer guidance on whether their products are likely to be eligible under the EEC.
- 1.105. Ofgem considers that it is important that the modelling methodology used for determining energy savings for suppliers' schemes is kept consistent. It would therefore not be appropriate to use ApacheSim for new measures in all cases. The suitable methodology for accrediting new measures can be discussed with the suppliers before work commences.

Monitoring

- 1.106. One supplier confirmed that they supported technical monitoring to ensure quality standards are met. Another organisation suggested that all measures, including hot water tank jackets, be monitored for quality.
- 1.107. A sample of recipients from all heating measures and professional installations of cavity wall, loft, internal and external insulation and draught-proofing should be monitored for quality.

- 1.108. The comments on consumer satisfaction were mixed. Four respondents questioned the need for consumer satisfaction monitoring to help determine the improvement in energy efficiency, although one thought it essential for its own monitoring purposes. Three other respondents agreed that monitoring was unnecessary for CFLs and appliances but welcomed it for heating and insulation. One organisation thought consumer satisfaction monitoring should be conducted for all measures, and at all stages in the promotion and delivery of measures. Another respondent recommended that heating controls should be monitored also. Some suppliers proposed that 1% of recipients, or 1000 units, is a robust sample size whereas one supplier said that Ofgem should not set sample sizes.
- 1.109. Ofgem believes that suppliers should monitor at least 1% of the recipients from the relevant heating and insulation schemes for customer satisfaction to ensure that they are satisfied with the measures provided.
- 1.110. The suppliers made a number of comments with regard to monitoring the delivery of CFL and DIY schemes. One supplier thought these proposals are to the benefit of the manufacturers and not the suppliers and another said that it puts a cost on the suppliers. Another supplier welcomed Ofgem's desire to improve their understanding of the DIY and CFL markets. The suggestion was made that the monitoring questions be asked, in replacement of the current customer satisfaction monitoring. It was pointed out that the response rate from customer satisfaction is dependant on whether the consumer wishes to participate. Ofgem's proposal not to monitor retail CFL schemes was supported by one supplier; however they thought it unnecessary to monitor direct delivery of CFLs. The same supplier supported monitoring of DIY schemes, at 1% of recipients. Other respondents stated that DIY schemes should be monitored to ensure that measures are not sold to trade accounts, and suggested that Ofgem speak with the retailers directly, and that the measures were not installed in new build properties. It was agreed that standard questions are appropriate for this exercise and one respondent requested that the results of the surveys be published regularly.

- 1.111. It is important to monitor the utilisation of CFLs and DIY insulation. Suppliers will be required to monitor 1% of DIY insulation schemes and will be given flexibility in the sample sizes for monitoring direct CFLs.
- 1.112. One supplier stressed that the provision of information to the Energy Saving Trust's Home Energy Efficiency Database (HEED) should not be a requirement. One organisation welcomed Ofgem's encouragement of the use of the HEED database and suggested other ways the database could be used to assist Ofgem in administering the EEC.
- 1.113. Ofgem reiterates that it encourages, but will not require, suppliers to provide information to the HEED.
- 1.114. Half of the respondents agreed with suppliers using standard core questions to ensure consistency and comprehensive returns. The suppliers requested the flexibility to add questions of their own, with one supplier having concerns because it had already made significant investments in its own systems for monitoring.
- 1.115. Ofgem will proceed with developing these standard monitoring questions, to ensure consistency and aid auditing.
- 1.116. Two suppliers asked for flexibility on when they conduct technical monitoring, for example they may wish to wait until sufficient properties in an area have been insulated before going and monitoring. One supplier requested clarification on what a 'suitably qualified independent contractor' is. Another supplier sought clarification on what constituted an error which could accumulate to the 25% problem rate on the quality monitoring returns.
- 1.117. The two month timescale for monitoring an installation was a guide rather than a requirement. A 'suitably qualified independent contractor' is someone who has the relevant qualifications and experience to complete the technical monitoring questionnaire for a measure. The contractor conducting the monitoring must not be the person who installed the measure. An error is anything that does not meet any of the requirements on the technical monitoring questionnaire.

- 1.118. One respondent suggested that cavity wall insulation be required to have a CIGA guarantee.
- 1.119. Cavity wall installations should come with a guarantee, this does not necessarily need to be from CIGA, but it must be for 25 years.
- 1.120. Two suppliers questioned the need to monitor 5% of boilers in addition to them being commissioned by a Corgi registered installer.
- 1.121. As the Corgi commissioning is not policed, Ofgem considers it important that at least 5% of boilers are monitored for quality.
- 1.122. One respondent suggested that suppliers report to Ofgem on the impact of their schemes on competition in the markets where they are run. They also suggested mystery shopping be conducted to ensure compliance and equity between multiple and independent retailers for appliance schemes.
- 1.123. Ofgem does not consider such monitoring appropriate for demonstrating compliance with the EEC targets.

2. List of respondents

Cavity Insulation Guarantee Agency (CIGA)

Centrica

The Building Research Establishment (BRE)

Eaga

EDF Energy

Energy Saving Trust

Glenn Melvin

The Lighting Industry Federation

npower

Powergen

Scottish and Southern Energy

ScottishPower

White Goods Strategy Group of the Energy Efficiency Partnership for Homes (on behalf of AMDEA, Bennetts Retail, Cooperative Retail, Electrolux, Hoover Candy Group, RETRA and Vestfrost).