

EEEC UPDATE

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Energy Efficiency Commitment - Key Facts:

- **The overall target has been exceeded**
- **Nearly 70 TWh worth of energy savings have been achieved**
- **Suppliers have accelerated their delivery of energy savings in the last three months**
- **The Priority Group target has now been met**



From left to right: Irina Townsend (EST), Charles Hargreaves, Alan Hardiman (Chairman, National Insulation Association NIA), and Russel Hamblin Boone (Energy Retail Association). In December Charles was awarded the NIA's John Baker Cup in recognition of his work on EEC.

The Energy Efficiency Commitment (EEC)

The EEC sets targets on energy suppliers to achieve improvements in energy efficiency 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 of energy efficiency are shared equally among consumers, 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. Through this, the EEC also contributes to the Government's Fuel Poverty Strategy.

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

These measures can also be promoted and delivered with a range of project partners such as social housing providers, charities, retailers and manufacturers. Suppliers

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

The target for the EEC 2002 - 2005 is 62 TWh. The energy saving target for the EEC 2005 - 2008 was set by Defra at the end of last year. Defra plans to review the EEC by 2007 before setting a target for the period 2008 - 2011. Ofgem is responsible for administering the EEC.

The obligated suppliers are required to provide progress reports each quarter to detail the energy savings each of their schemes has achieved and is forecast to deliver. This data is used to compile the EEC Update.

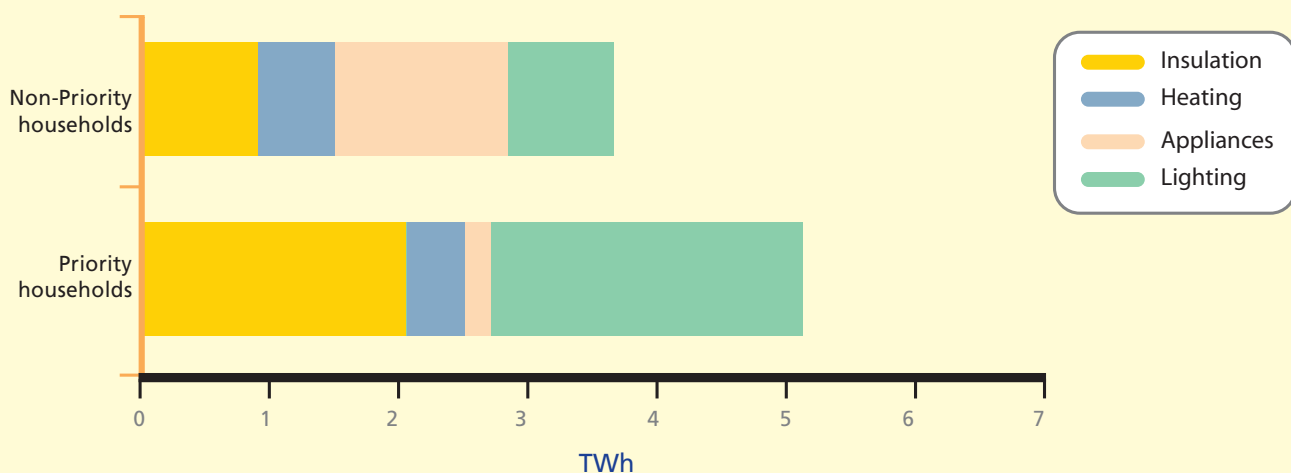
Increasing progress

The penultimate quarter for the EEC 2002 - 2005 saw the suppliers accelerate their delivery of energy efficiency savings to almost 9 TWh.

Other trends can also be seen in the data: the majority of the 9TWh is in relation to the Priority Group and the

delivery of insulation has decreased while lighting and appliances increased significantly. The energy savings achieved from October - December 2004 are detailed in **Chart 1**.

Chart 1: Energy savings achieved from October - December 2004



Meeting the targets

At the end of September, suppliers had installed sufficient measures to meet the overall non-Priority Group element of the target but had some work yet to do for Priority Group consumers.

In order to assist the Priority Group, there has been a clear shift in focus towards the end of the programme with the majority of the savings (over 5 TWh) in the last three months being achieved in relation to this group.

The majority of these energy savings have resulted from delivering CFLs (energy efficient lights) to Priority Group consumers. These CFLs have probably been distributed for free by those suppliers with a Priority Group shortfall as it is a relatively simple way of achieving energy savings. Lighting accounted for over a third of the total energy savings achieved delivered during the last quarter.

Chart 2 shows how insulation has been the dominant measure throughout the EEC, accounting for around 60 per cent of the total energy savings. However, October - December 2004 was the first period when insulation did not dominate and produce the majority of the energy savings.

Evidence from the suppliers' latest quarterly reports shows that the energy savings claimed for insulation actually fell quarter-on-quarter by one third.

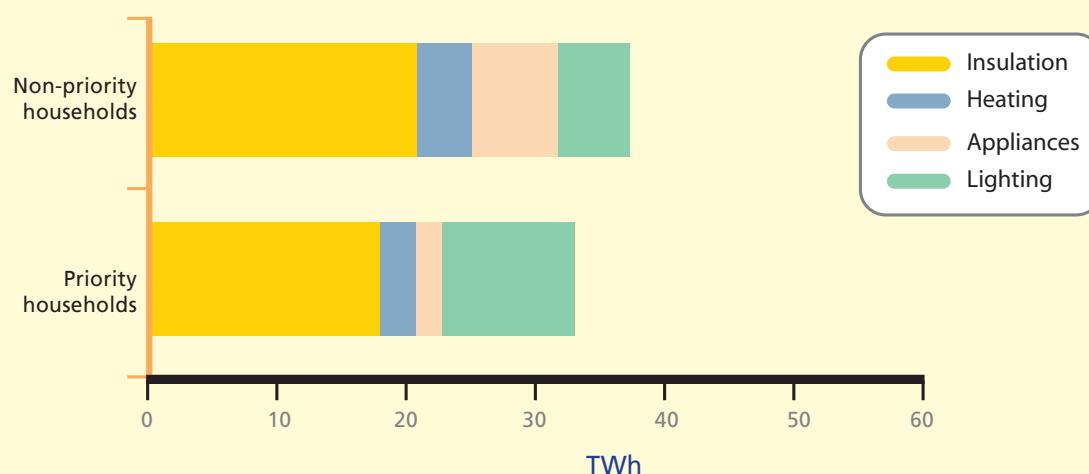
This change may be because the suppliers' current partnerships with social housing providers (SHPs) are winding down before renegotiation for the EEC 2005-2008 or it may reflect the reporting cycles suppliers have with SHPs.

The energy savings achieved from the provision of energy efficient appliances was at its highest level so far, with over 1.5 TWh resulting. The energy savings increased almost threefold compared with June - September.

It is interesting to note that appliance sales have been at their highest during the period October - December each year (although in year 2 there were equally high savings from June - September also).

This trend may be due to the suppliers' or retailers' marketing activity, trends in consumer purchasing or the influence of the Energy Saving Trust's Energy Efficiency Week which is held in October.

The energy savings from heating measures has increased steadily over the winter months, but its contribution to the total energy savings achieved remains quite steady at around 10 per cent.

Chart 2: The total energy savings achieved during the EEC by measure type

The EEC 2005 - 2008

Just before Christmas, Defra set the overall energy saving target for the EEC 2005 - 2008 at 130 TWh. The target was determined by developing an illustrative mix of the possible measures which suppliers may deliver during the programme.

Suppliers have flexibility in which measures they provide in order to meet their targets so this mix, as set out in **Chart 3**, is just an indication of the types and numbers of measures suppliers may offer over the next three years in order to meet their targets.

Chart 3: Defra's illustrative mix of possible measures 2005 - 2008

	Measure	Number of installations (m)
Insulation	Cavity wall insulation	1.70
	Loft insulation	1.12
	DIY loft insulation	0.46
	Tank insulation and draught proofing	0.77
	Window glazing	4.50m ²
Heating	Boilers	1.20
	Fuel switching	0.06
	Heating controls	0.54
Lighting	Energy efficient bulbs (CFLs)	42.3
Appliances	Cold and wet appliances	2.15
	Set top boxes	0.50

This mix of measures would contribute around 0.68 million tonnes of carbon per year (MtC/yr) to the Government's Climate Change Programme. There is no requirement on suppliers to spend a set amount of money in meeting their targets.

Defra predicts that the EEC 2005+ will cost consumers no more than £9 per fuel per household for each of the three years of the programme. However, if a household receives and installs one energy efficient CFL it will offset that cost.

Fuel switching, window glazing and set top boxes have been included within the illustrative mix for the EEC 2005

- 2008. All the other measures included are the same as the mix used to set the current EEC target.

Fuel switching generally involves replacing an electric or coal fired heating system with a gas system. The Domestic Window Energy Rating sets the standard for glazing as an 'E' rating. This gives the suppliers the opportunity to install glazing of a higher rating and receive energy savings for this improved performance.

Television set top boxes have been included to acknowledge the potential energy savings from consumer electronics.

(The ECC 2005-2008 continued)

At least 50 per cent of the energy efficiency target will still have to be met in the Priority Group. The definition of the Priority Group will broadly remain the same as under the current programme, ie those households in receipt of at least one of the following benefits:

- Council tax benefit
- Housing benefit
- Income support
- Attendance allowance
- State pension credit
- Income-based job seekers allowance
- Disability living allowance
- War disablement pension which includes either a mobility supplement or constant attendance allowance
- Disablement pension which includes constant attendance allowance

- Child tax credit where the relevant income is £14,600 or less
- Working tax credit where the relevant income is £14,600 or less

Under the EEC 2005 - 2008, suppliers will continue to be incentivised to deliver energy services. Suppliers will receive an increased energy saving if their energy service package involves an audit of the consumer's property, measures to improve the household's energy efficiency by 13 per cent and the option of a deferred payment for those measures.

Defra has also introduced an incentive for suppliers to offer for 'innovative' energy efficiency measures. Micro combined heat and power (mCHP) has been labelled innovative and will qualify for additional energy savings.

Those measures not used under the current EEC, and which have significantly greater savings than a similar product under the current programme, will also be considered 'innovative'. Ofgem plans to consult on this definition in the near future to provide further guidance to suppliers.

EEC 2005 - 2008 references

The Statutory Order for the EEC 2005 - 2008 is available at www.hms.o.gov.uk.

A summary of the responses to Defra's consultation and the full illustrative mix of possible measures is available at www.defra.gov.uk.

Ofgem published a summary of responses to its consultation and its final decisions on the Administration Procedures before Christmas. The documents can be viewed at www.ofgem.gov.uk or we can post you a hard copy by emailing eec@ofgem.gov.uk.

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- regulating only where necessary.

