

CERT obligated suppliers and  
other interested parties

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value for all customers*

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Dear colleague

**Carbon Emissions Reduction Target ('CERT') Super Priority Group: suppliers' proposal for 'SPG percentage'**

The purpose of this open letter is to inform CERT obligated energy companies of our 'minded to decision' to accept an agreed super priority group percentage for eligible super priority group installations in social housing properties.

This minded to decision has been made in response to a proposal developed by two of the CERT obligated energy suppliers, EDF and Eon, and we understand that it is supported by all the CERT obligated parties. If this minded to decision is taken forward then it represents a change in our guidance, and we therefore welcome views on this change.

**Background**

The super priority group ('SPG') obligation was introduced into the CERT Order in 2010 with CERT obligated energy companies being able to promote eligible measures from 1 August 2010. Under the provision the energy companies are required to deliver savings of 16.2 million lifetime tonnes of carbon dioxide to households with residents on a prescribed list of benefits.

In order for Ofgem to be satisfied that eligible measures are installed, in eligible SPG households, Ofgem's supplier guidance requires the CERT obligated energy companies to verify the eligibility of residents via document checks. The guidance also permits social housing providers to sign declarations in relation to the percentage of SPG residents within their housing stock, subject to that social housing provider having the evidence as to how they have determined this available to Ofgem for audit purposes.

**Proposal**

An alternative methodology, which we understand the energy companies have been working on over the past 12-18 months, for identifying the level of SPG eligible households in social housing has now been proposed to us. It has been developed in the following way, with input from social housing providers. (The proposed methodology provides an alternative means for Ofgem to be satisfied that measures have been delivered to eligible SPG households.)

In order to demonstrate the percentage of SPG eligible tenants in the UK's social housing stock energy companies accessed and surveyed 4,883 individual social housing tenants from 39 different social housing providers across the breadth of the country. Of the 4,883 tenants surveyed 1,605 were found to be in receipt of SPG eligible benefits. In looking at the data we consider that the major conurbations had been included and hence those sampled were a reasonable representation of those SPG consumers in social housing properties.

With a sample size of 4,883 the observed proportion of tenants in receipt of SPG eligible benefits was 32.87% which equates to +/- 1.32% at the 95% confidence interval. This means that the energy companies have calculated that they are 95% confident that the proportion of tenants in receipt of SPG eligible benefits is between 31.55% and 34.19%, based on the survey data. They have therefore requested that, based on this information, a standard percentage of SPG households within social housing be generally applied. This statistical approach is consistent with other methodologies adopted in our administration of the CERT and covered in our guidance.

We consider that the statistical information presented provides a reasonable basis upon which to agree an SPG percentage for social housing. We are therefore minded to accept a figure of 32% (31.55% rounded).

This approach would help broaden the numbers of ways in which suppliers can identify those in the SPG. We therefore anticipate that it will streamline the delivery of the CERT obligations.

### **Administration**

The agreed percentage will generally be applicable to all eligible SPG installations in social housing. Obligated parties will however be required to notify Ofgem of their intention to use the agreed percentage. Where energy companies are able to demonstrate a higher (or lower) percentage via the verification routes outlined in our guidance then this percentage will be accepted. Only one option will be permissible per social housing provider.

We are also minded to allow this decision to apply to all eligible SPG installations from 1 August 2010 where eligible activity in social housing has not been claimed as SPG.

Energy companies should note that for secondary measures to be claimed that addresses will be needed (in order to match with the prescribed measure installations). It is therefore highly unlikely that secondary measures will be able to be claimed in social housing properties where the agreed percentage has been used.

In order to avoid the situation where claims are made on the SPG element of a social housing provider's stock via the verification route, with the agreed percentage then being claimed on the remaining properties, we will only permit obligated parties to use one method or the other per social housing provider. Failure to do so would reduce the accuracy and robustness of the statistic. Only permitting one method to be used per social housing provider will therefore help to ensure that measures being claimed are being delivered to SPG eligible households.

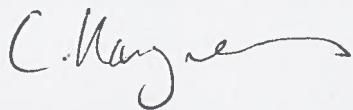
### **Conclusion**

We consider the percentage figure put forward by the energy companies to be reasonable and are therefore minded to accept it.

We are however interested particularly in obtaining views on whether there is further robust information available on the level of SPG households in social housing. We would also welcome views on our administrative proposals.

If you have any comments please send them to Steve McBurney, via email, at [steve.mcburney@ofgem.gov.uk](mailto:steve.mcburney@ofgem.gov.uk) by 12 November 2012.

Yours faithfully

A handwritten signature in black ink, appearing to read 'C. Hargreaves', with a long horizontal flourish extending to the right.

Charles Hargreaves  
Associate Director, Environmental Programmes

