

October 1999

**Energy Efficiency: Standards of
Performance 2000-2002**

Initial decisions

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ENERGY EFFICIENCY
STANDARDS OF PERFORMANCE 2000/2002
INITIAL DECISIONS

Introduction

1. In the Energy Efficiency Consultation Document (the Consultation Document) published in July we, the Office of Gas and Electricity Markets (Ofgem), described our general approach to energy efficiency and set out initial proposals for new Energy Efficiency Standards of Performance (SOP3).
There was an excellent response to this consultation in terms of content and volume. Over 100 organisations, as listed in Appendix 1 replied. These responses can be viewed in the Ofgem library in Stockley House. Ofgem is very grateful to all the organisations that responded.

2. In addition to written responses we have had initial consultation meetings with companies and other organisations. We have also been involved in recent conferences organised by the Energy Efficiency Partnership for Homes and National Energy Action (NEA), which allowed us to hear first hand a wide range of views on SOP3. We are particularly grateful to the organisers of these events.

Purpose of this document

3. Ofgem intends to continue with the consultation process before finalising new Standards in January 2000. The purpose of the present document is to confirm those areas where we are now able to make decisions. This will allow

the remainder of the consultation process to focus on those issues that require further consideration and discussion. To progress these remaining issues, we are inviting the Energy Saving Trust (EST) to provide advice on several important topics as discussed below.

4. If you require further clarification on any of the points made in this document Chris Barclay on 0121 456 6221 or Andy Frewin on 0171 932 1639 would be pleased to help.

Regulatory context

5. The consultation response has highlighted wide support for new Standards on social and environmental grounds. In terms of social consideration, respondents emphasised the potentially significant role of Standards in helping to tackle fuel poverty and in contributing to Ofgem's Social Action Plan¹. With regard to environmental considerations, respondents supported new Standards in terms of their contribution to reducing carbon dioxide (CO₂) and other emissions in line with the Government's Climate Change objectives. Ofgem agrees that such social and environmental considerations should inform the arrangements for SOP3 and that social and environmental criteria need to be balanced one with another, and with our other general duties, when setting the SOP3 target.

¹ Ofgem issued a Discussion Document on the Social Action Plan in May. This was followed by the Framework Document published in October. It is the intention that the new Social Action Plan will be published before the end of the year.

6. In particular Ofgem needs to take account of our statutory duty to consider the issue of Standards in the light of our responsibilities for promoting competition and protecting the interests of customers. We have, therefore, to weigh a very wide range of criteria in coming to initial decisions, and in considering the issues that remain to be settled. It is also desirable that SOP3 arrangements should provide as much flexibility as possible in line with the proposed arrangements for the subsequent standards which Government intends to set, once present legislation is revised.

The Timescale for SOP3

7. The Consultation Document indicated that the Director was presently minded to set new Standards for a period of two years from 1 April 2000, in order to provide a bridge between the present Standards, covering public electricity suppliers (PESs), which run until 31 March 2000, and the future Standards which the Government has indicated it proposes to set once it has the necessary legislative powers. There was general support in the consultation response for Ofgem's setting a new standard for a two-year period. A minority of respondents suggested the standard should be set on a more open-ended basis, with a minimum period of two years. In practice it would not be helpful to proceed on an open-ended basis, and a firm timescale is necessary in order to set meaningful targets. Several respondents indicated that the minimum practical period for SOP3 would be two years. In any event the Department of Environment, Transport and the Regions (DETR) has indicated that, subject to the necessary Parliamentary approval, it aims to have the necessary powers for Government to set standards from around mid

2000. However, it is unclear as to when a Government scheme would be ready to start. Taking these points into account, **we confirm that we intend to proceed on the basis that SOP3 will run for a fixed two year period from 1 April 2000 to 31 March 2002.**

Coverage

8. The Consultation Document proposed that SOP3 should apply to gas suppliers and second tier electricity suppliers (as well as to PESs). In the response there was overwhelming support for setting Standards for all suppliers, on account of the large scope for improving the efficient use of gas and to ensure consistent regulation between the gas and electricity supply markets. Another consideration is that inclusion of gas significantly extends the potential scope for Combined Heat and Power (CHP) projects under the Standards). Some gas suppliers welcomed the opportunity to take part in Standards; others argued that Standards should apply only to dominant suppliers. The latter point relates to the question of how smaller suppliers should be treated under the Standards. At Annex E of the Consultation Document (Appendix 2 of this document for ease of reference) was a proposed amendment to the licences of second tier electricity suppliers. Ofgem will, in due course, be contacting the relevant licensees about the proposed amendment. **With regard to the general issue of covering gas and second tier electricity suppliers, we confirm that we intend to proceed on the basis that SOP3 will apply to all gas and electricity suppliers.**

9. The Consultation Document invited views on how the burden of the Standards should be allocated between gas and electricity. The general view of respondents was that the Standards should be the same for gas and electricity companies in terms of the cost of meeting the Standards per customer supplied. There was little support for the idea of weighting the burden, according to the relative scope for cost-effective energy efficiency measures as between the two fuels or according to other criteria, such as the average value of customer bills. In line with the consultation response, we intend to proceed on the basis that **the indicative cost of meeting SOP3 per customer supplied should be the same for gas and electricity.**
10. Because of possible differences between gas and electricity in the cost of schemes, and the need to consider how best to measure savings of gas and electricity, it is quite possible that the energy savings target per customer will vary as between the two fuels despite the same level of funding. The EST has agreed to provide advice on these issues. It will be on the basis of this advice that SOP3 will be set.

Supply or Distribution

11. The Consultation Document indicated Ofgem's view that supply is the appropriate business for carrying out Standards. The view was broadly supported by the consultation response. Many respondents agreed that energy efficiency had to become a core activity of the energy suppliers. However, some respondents, including the National Electricity Consumers' Council, argued that placing the obligation on distribution would avoid difficulties caused by the movement of customers between suppliers. Others,

such as NEA, were concerned that in the competitive supply market there was a significant risk that Standards would become a tool of energy marketing at the expense of environmental and social objectives. Ofgem believes that such concerns can be reasonably guarded against and **confirms that SOP3 will be set for supply businesses.**

Cost of Standards

12. The Consultation Document gave Ofgem's initial view that SOP3 should be set on the basis of expenditure of about £1 per domestic customer a year for electricity and the same for gas. This would amount to over £40 million a year, compared with the £24 million under the present standards. All the companies directly affected (apart from those smaller suppliers who argued that Standards should not apply) supported £1 per customer, as did the Gas Consumers Council and the National Electricity Consumers Council. Many of the other groups, notably EST, NEA and the Consumers' Association, and most of the energy efficiency industry respondents urged £2 for each of gas and electricity.

13. In this instance particular weight should be given to the views of those most directly affected – the companies responsible for achieving the Standards and, the customers who meet the cost. PESs in particular have stated strongly on the basis of their SOP1 and SOP2 experience that lack of customer interest in energy efficiency and diminishing opportunities for insulating electrically heated homes would make it difficult to go significantly beyond £1 and still ensure cost effective schemes.

14. Ofgem recognises that investment on a scale greater than the equivalent of £1 per customer under the Standards may be necessary for the achievement of the UK's Climate Change Programme and to eradicate fuel poverty. However, in line with the views expressed by the Commons' Environmental Audit Committee in their July report on energy efficiency, we believe that a wider public debate is required before imposing a significantly larger burden on customers. The Government's proposal to seek specific statutory provision through the planned Utilities Reform Bill for programmes with significantly larger financial implications for companies or customers should stimulate such a debate but it would not be appropriate to go significantly beyond the present £1 level within the present legislative framework. However, we recognise the force of the argument put forward in the consultation response that the value of the £1 per customer allowance has been eroded by inflation since it was introduced in 1994. To restore a £ in 1999 to its equivalent in 1994 requires the addition of 19 pence. We therefore intend that **SOP3 should be set on the basis of an indicative cost of £1.20 per year for each gas and electricity customer.** This will amount to over £100 million for the two years, and will allow gas and electricity companies to deliver a very significant energy efficiency programme. This will in effect double the level of expenditure under standards set by the Director.

Smaller Suppliers

15. The Consultation Document envisaged that Standards may not have effect where a gas or electricity supplier is supplying a relatively small number of customers (100,000 was given as an example); and that there might also be a need to take into account factors such as the distribution of the suppliers'

customers, the activities of related undertaking of the supplier and the supplier's experience with energy efficiency projects. In their response BGT and PESs indicated that they favour comparable obligations being placed on all suppliers, even the smallest. The point was made that supplying gas and/or electricity is not a low-cost entry business. Most other respondents, apart from the smaller suppliers, also favoured placing the obligation on all suppliers. A number of those who took this view suggested that smaller suppliers might be able to transfer their Standards obligations to other organisations or buy into other schemes, or that there might be transitional arrangements for small suppliers. A number of respondents accepted the principle of special arrangements for small suppliers but said that 100,000 customers would be too high a cut-off and felt that 25,000 or 50,000 would be more appropriate. The objections of smaller suppliers to being required to comply with Standards included the relatively high start-up costs which Standards would impose, their inability to absorb the cost of Standards without increasing customer charges, and the lack of customer interest in energy efficiency.

16. Ofgem needs to consider whether imposing Standards on small suppliers would have an adverse impact on the development of competition in gas and electricity markets, and also whether it would be economically cost effective to impose a Standards obligation on small suppliers. We remain concerned on these counts, and do not believe it would be reasonable to impose obligations on suppliers regardless of their capacity to efficiently deliver on those obligations.

We therefore intend to proceed on the following basis:

- **all suppliers (serving the domestic market) will come within the general scope of SOP3.**

- **Suppliers will be set targets if they have 50,000 domestic customers, (counting together gas and electricity customers). Currently this would mean that in excess of 99 per cent of customers would be covered and notional contribute.**

- **targets will be geared to the number of customers supplied but will also take account of start up costs, the concentration of the supplier's customers, corporate links with other suppliers, and other relevant factors.**

We are inviting EST to provide detailed advice on the range of targets that might be set in gas and electricity for suppliers in different size bands.

Customer Numbers

17. The Consultation Document sought views on how to count customer numbers for the purpose of setting SOP3. In response there was considerable support for basing the targets on the number of (domestic) customers served by each supplier at the start of SOP3 on 1 April 2000 and to adjust the targets in the light of the number of customers midway through SOP3 in April 2001. In practice it will be necessary to estimate customer numbers prior to 1 April 2000 in order that definite SOP3 targets can be announced ahead of that date. **We propose to adopt this approach, and to adjust the targets in a**

predetermined way in the light of customer numbers in April 2001. We would not expect to set targets for any suppliers who reach 50,000 customers after 1 April 2000, bearing in mind that an obligation lasting less than two full years would not be practical for them to implement. The position of any supplier, whose customer numbers fall below 50,000 after 1 April 2000, who has been set a SOP3 target, would need to be considered at the time.

Domestic Customers

18. The Consultation Document envisaged that SOP3 should apply only in respect of domestic customers and sought views on whether it is practicable or desirable to restrict the scope of the Standard to exclude small business and commercial customers. There was wide support for the principle that SOP3 should be devoted to domestic customers, though one PES suggested that communal lighting projects should count. As did the Energy Action Grants Agency (EAGA) for projects for public buildings

19. The comments of some respondents suggested that the rate at which VAT is paid will not necessarily identify whether the customer is domestic or business, nor will suppliers' "domestic tariffs" necessarily exclude business customers. **We intend that SOP3 should apply only in respect of domestic customers**, but will wish to consider further the practicalities of ensuring this. The precise scope of future supply price restraint arrangement may also need to be taken into account, to the extent that this defines which customers bear the cost of SOP3.

Priority Service and Disadvantaged Customers

20. The Consultation Document envisaged that over 60 per cent of SOP3 expenditure might be focussed on disadvantaged customers, and invited views on how such customers might best be identified and helped under the Standards. There was a wide consensus that SOP3 should focus significantly on low income and disadvantaged customers, though several PESs said that it would be difficult for them to maintain the present percentage level of expenditure unless they were able to count gas savings. There were differences of view as to whether the fuel poor specifically might be targeted. Broadly speaking, companies argued that it would be intrusive and impracticable for them to assess customer incomes, and that they would need such information to identify the fuel poor with confidence.
21. Some companies were also concerned that SOP3 targets should reflect the higher cost of the measures which concentration on the fuel poor would require. Against this the general view of consumer and welfare groups was that more should be done under SOP3 to increase assistance for fuel poor customers. It was also suggested that the present method of assessing savings does not give sufficient weight to the benefits of providing affordable warmth, and tends to rule out insulation schemes in older properties with a relatively high concentration of fuel poor occupants.
22. Ofgem recognises the significant practical difficulties which companies would face in guaranteeing that a relatively high level of SOP3 expenditure is devoted to the fuel poor. **We therefore intend that SOP3 should include a target that 65 per cent of each company's expenditure should be for**

disadvantaged customers broadly. This would include low income customers in receipt of Passport Benefits, and elderly and disabled customers, particularly those on Priority Service Registers (formerly known as Special Care Registers). Account should also be taken of the disadvantaged customers living in rural areas. We will wish to discuss with EST, customer groups and companies the large number of helpful suggestions on how best to access customers most in need of energy efficiency assistance, including:-

- Fuel Direct Customers.
- Customers with a record of payment difficulties.
- Elderly and low income customers who do not qualify for New HEES.
- Single pensioners (77 per cent of who are reported to be fuel poor).
- Liaising with Social Services Departments and other caring agencies.
- Liaising with Home Energy Conservation Act (HECA) Managers to target properties in low income neighbourhoods with poor Standard Assessment Procedure (SAP) ratings.

23. EST's advice on the energy savings targets for companies will take account of the cost of achieving energy savings for disadvantaged customers after making appropriate allowance for comfort factors.

Liaison with Other Programmes

24. We invited views on the implications of the New HEES programme (Warm Deal in Scotland) for SOP3. There were a large number of comments on the relationship between SOP3 and New HEES stressing the need for SOP3 to be managed alongside other programmes, particularly New HEES and local authority initiatives (under HECA). The Government's recently announced

Affordable Warmth Programme, involving Transco, under which £20m is to be made available for installing individual central heating or CHP systems in fuel poor homes, could also be relevant. Some PESs expressed concerns that the increased budget for HEES and the increased level of HEES assistance available per household would further reduce the scope for PESs to insulate electrically heated houses. Against this, many respondents suggested that there could be significant opportunities for SOP3 to complement new HEES, including:

- SOP3 to focus on social housing (new HEES will focus on owner occupiers and the private rented sector sectors);
- SOP3 to assist low income and fuel poor households which fail to qualify for HEES;
- SOP3 to assist households in areas where HEES funds are exhausted or there is a long waiting list;
- SOP3 to provide or contribute to measures not available or not fully funded under HEES, including lighting, appliances and CHP.

25. We are concerned to ensure effective links between SOP3, New HEES and other programmes. Under the present Standards there is already regular contact between PESs and EAGA (the HEES national Managing Agent). There is a need to take this forward for SOP3, taking account of the inclusion of gas and the involvement of other energy suppliers, and the proposed new regional management structure for HEES. **We shall be discussing with the various parties involved, including DETR and EST, how SOP3 can best be implemented alongside new HEES**, through partnerships, cross referrals etc. SOP3 will be driven essentially by the gas and electricity companies

(rather than being centrally managed) but within this we will be looking to companies to develop strategies for operating alongside other programmes.

Mix of Schemes

26. The Consultation Document proposed that under SOP3 companies should select projects that provide for a mix of project types. In the response there was wide support for the general objective that a mix of project be carried out, but significant difference of view regarding how far this should be mandatory for each company, and concerning the actual composition of the mix. Companies generally supported no more than an indicative framework, typically covering only 50 per cent of the total SOP3 target, whereas others who commented supported a more prescriptive and comprehensive mix being built into SOP3. In terms of the components of the mix, specific comments included:-

- The Consumers' Association said that the present 39 per cent level of SOP expenditure across PESs devoted to lighting projects was too high and failed to recognise the increasing availability and use of low cost lighting outside the Standards.
- Against this EST indicated that two-thirds of households lacked any low energy lighting.
- The Environmental Charge Unit at Oxford University argued that appliances should be a major focus for SOP3 to reflect the increasing proportion of household energy bills spent on running appliances.
- Others argued that any SOP3 appliance schemes should be targeted at low income customers, including first time users, who would otherwise use an inefficient second hand item despite higher EU Product Standards.

It was also suggested that appliance schemes should always include the decommissioning of old appliances.

27. After considering all the points made Ofgem does not believe that it is appropriate to specify any particular scheme mix requirement for SOP3. **However companies will be required to take due account of the opportunities for different types of project.** SOP1 and SOP2 have already shown the scope for different types of projects, at least in electricity, and it is no longer necessary to prescribe minima for two of the three main electricity categories i.e. insulation and lighting.

28. With regard to appliances, EST's present advice is that a minimum appliances target should be included in SOP3, in order to ensure that appliance schemes come forward. The underlying issue is whether appliance schemes can deliver particular environmental, social or economic benefits not available through other types of project. This would need to be the case to require companies to carry out appliance schemes. **We are therefore inviting EST to provide more detailed advice on appliance issues including:**

- The scope for economical appliance schemes.
- The impact of higher Product Standards.
- How to ensure decommissioning of old appliances.
- Targeting low income customers and the position of first-time users.
 - The proposed method of accrediting energy savings to companies, taking proper account of customer and retailer/manufacturer contributions.

- Additionality and free rider considerations.

Assessment of energy savings

29. We invited views on various issues related to the method of counting energy savings under SOP3. Most PESs argued that, because of the limited potential for further electricity savings, they should be allowed to meet the Standards mainly by saving fuels apart from electricity. Under the present legislation this is not possible. We therefore intend that SOP3 should be fuel specific : the Standards set for electricity suppliers will be in terms of energy savings achieved by means of the efficient use of electricity, and those for gas suppliers in terms of savings by means of the efficient use of gas
30. Within this, up to 10 per cent of each suppliers' target can be met by savings of other fuels where these savings arise as an integral part of a project involving savings of the main fuel, subject to a limit of 15 per cent on such savings of other fuels in any one project. As far as fuel switching is concerned, the general view was that the proposed allowance that up to 25 per cent of each suppliers' target could be met through fuel substitution was sufficiently generous. **SOP3 will, therefore, allow up to 25 per cent of a supplier's target to be met through savings from fuel switching and savings of other fuels, not involving fuel switching, the latter subject to the specific 10 per cent limit mentioned above.** These are the same allowances for saving other fuels already in place for SOP2. These do not appear to have unduly restricted suppliers from pursuing beneficial schemes.

31. There was general agreement that SOP3 should count savings of energy supplied to final customers, rather than energy used higher up the supply chain. However, a number of respondents suggested that it would be appropriate to count so-called “useful” energy savings rather than metered energy savings. This would allow for differences in the relative efficiencies of gas and electricity at the point of use and would ensure that the same savings are awarded for saving gas and electricity by means of any given measure. We have invited EST to advise on this although our initial view is that standards relating to metered use will be more meaningful for customers.
32. The Consultation Document proposed that the present arrangements for incentivising third party funding should continue for SOP3. Respondents generally supported this but in view of the importance of attracting third party funds we have asked the EST to advise.

Competition Issues

33. The Consultation Document indicated that for competition reasons SOP3 would need to be based on the principle that market dominant suppliers should not discriminate unduly between different categories of customer when carrying out the Standards. This would include not discriminating between their own customers and customers of other suppliers when offering projects. In their response most parties argued that it would be appropriate to reduce the specific rules on such matters under the Standards.
34. Under the Standards the targeting of customers and the arrangements for promoting schemes and deciding who takes part should be governed by the

social and environmental energy efficiency considerations embodied in the Standards. In view of these criteria, it is difficult to see how it would be reasonable for a supplier to refuse to provide SOP assistance to a household solely on the grounds that the household does not take supply from that supplier. However, it is recognised that in most cases suppliers will wish to focus on their own customers.

35. As to the marketing of schemes, several respondents, including EST, advocated that there be greater freedom to market than is felt to be allowed at present. In fact the only material regulatory restriction on marketing under the existing Standards relates to the terms on which Energy Service Companies (ESCO) projects are offered (see below). In principle there is no objection to the more active marketing and advertising of the Standards and there could be advantages in terms of better customer take-up. Marketing should be driven by energy efficiency objectives such as improving customer awareness of the opportunities for energy savings.

36. More generally, however, it is clear that targeting and marketing of schemes under the Standards could have a material impact on the development of competition. The provisions of the Competition Act and existing licence restrictions on showing undue preference or exercising undue discrimination are also relevant. In developing and bringing forward schemes companies should take full account of these regulatory requirements. Ofgem considers that with these provisions in place and in view of the extension of the Standards to a wider range of suppliers it is not appropriate to retain specific restrictions on activities within the Standards themselves.

ESCOs

37. The Consultation Document proposed that similar criteria should apply to ESCO projects under SOP3 as have applied under SOP2, and invited views on how best to promote ESCOs, including outside the Standards. There was a significant response on ESCO issues. Some respondents overstated the present restrictions on ESCOs, for example by asserting that the regulatory regime precludes the joint billing of energy efficiency services and energy supply, when it is open to suppliers to offer contracts that provide for joint billing. Ofgem's main concern is to ensure that ESCOs are offered on terms that actually increase customer choice and do not diminish it. We are keen to see companies explore the scope for ESCOs (including CHP- based schemes) not least in partnership with local authorities and social agencies.
38. The only specific SOP rule on ESCOs of any significance has been that PESs should not tie the offer of energy efficiency grants into energy supply contracts. With the widening of the standards to all suppliers, Ofgem considers that this rule should no longer apply. Ofgem will however continue to keep under review the potentially anti-competitive effects of contracts by dominant suppliers which may restrict the development of competition.
39. With regard to broader policy matter affecting ESCOs, the main issue raised in the response was the licence requirements that suppliers allow customers to terminate the energy supply element of an ESCO contract on giving 28 days notice. Customer organisations generally saw the need to retain this provision in order to ensure that customers do not lose the freedom to change supplier. It was also suggested that it would be difficult to frame an exception

to the 28 day rule to apply only to ESCO contracts. In general companies and energy efficiency providers, and EST said that the 28 day rule is a significant disincentive to the marketing of ESCO contracts because of the risk, as they see it, that the customer may fail to pay sums due in respect of energy efficiency services which have been provided by the supplier.

40. It is not clear why in practice the risk of default on the energy efficiency debt should be materially affected by the customer changing energy supplier, given that the supplier cannot disconnect the customer for non-payment of such a debt or otherwise use his position as energy supplier to enforce the debt. Furthermore, a customer who changed energy supplier would still have a responsibility to his previous supplier to repay the energy efficiency debt. If the customer defaulted on this the supplier would have the normal avenues of recourse open to creditors when customers default on credit arrangements. In addition the Suppliers' licences, for both gas and electricity, allow the supplier to seek security for the unpaid energy efficiency investment from the customer. If such security is not paid the supplier can object to the customer switching. A number of respondents suggested that the perceived risk would be reduced if the outstanding debt were to be assigned to the new supplier. There is no regulatory barrier to the assignment of such debts, but this would be a matter for the new and old suppliers to agree between themselves.
41. It is open to companies who are concerned about non-payment of these energy efficiency debts to come to mutual arrangements for debt assignment. This might involve the debts being underwritten by other parties. **We invite EST to consider with the industry the scope for it to promote such a scheme for the underwriting of ESCO debts.** In the event that energy efficiency debts are assigned to a new supplier, then in principle any relevant

SOP energy savings previously accredited to the old supplier could be transferred to the new supplier.

42. More generally Ofgem would welcome evidence from any potential ESCO that the “28 day rule” as presently constituted has restricted the development of any beneficial ESCO arrangements. We will reconsider the need for possible amendments to the present conditions in the light of such evidence.

Summary and Next Steps

43. The main decisions set out in the document are:
- SOP3 will be set to run from 1 April 2000 to 31 March 2002.
 - SOP3 will cover gas and electricity suppliers.
 - SOP3 targets will be set on the basis of an indicative cost of £1.20 per year for each domestic gas and electricity customer.
 - SOP3 targets will be set for suppliers serving 50,000 or more customers.
 - SOP3 initial targets will be based on customer numbers counted prior to 1 April 2000, and final adjusted targets will be set in the light of customer numbers in April 2001.
 - SOP3 will apply in respect of domestic customers.

- Around 65% of each company's SOP3 expenditure will be for disadvantaged customers.
 - SOP3 will allow up to 25 per cent of companies' savings targets to be met by fuel substitution schemes.
44. Ofgem is inviting EST to provide detailed advice to inform the setting of SOP3 targets.
- EST to advise by late November on the range of targets which might be set in gas and electricity for suppliers in different size bands.
 - ESTs advice to take account of the need to assist disadvantaged customers.
 - EST to advise on whether SOP3 should count metered or "useful" energy savings..
 - EST to provide further advice on appliance issues.
45. In advance of setting SOP3, Ofgem will consider further the best way of ensuring SOP3 is devoted to domestic customers. We will also be discussing with those concerned how SOP3 can be best implemented alongside New HEES.

46. Ofgem will consider on a case by case basis the competition implications of any SOP3 ESCO proposals. We are inviting EST to consider the scope for a scheme to provide for the transfer of energy efficiency debts between suppliers.
47. In January 2000 the Director will publish, in the light of EST's advice, his final decision on SOP3. This will include the Standards to be set:
- under the Gas Act for gas suppliers.
 - Under the Electricity Act for PESs.
 - Under a new licence condition for second tier electricity suppliers.

Appendix 1

LIST OF RESPONDENTS TO ENERGY EFFICIENCY CONSULTATION PAPER

1. Age Concern England
2. Amerada Hess Gas Ltd
3. Aquila Energy
4. Association for the Conservation of Energy
5. BCN Data Systems
6. BP Systems - Insulation Contractors
7. British Energy Efficiency Federation
8. British Gas Trading
9. Cavity Insulation Guarantee Agency
10. CBI
11. Central Heating Information Council
12. Centre for Research, Education and Training in Energy
13. Centre for Sustainable Energy
14. Chair – SERA
15. CHPA
16. CLI Ltd
17. Conserveheat Insulation Ltd
18. Consumers' Association
19. Council for Energy Efficiency Development
20. De Montfort University
21. Department of Housing Services
22. EA Technology
23. EAGA holdings
24. Eastern Group plc
25. Ekins Environmental
26. Electricity Association
27. Electricity Consumers' Committee East Midlands Region
28. Electricity Consumers' Committee for South Wales Region
29. Electricity Consumers' Committee Merseyside and North Wales Region
30. Electricity Consumers' Committee Midlands Region
31. Electricity Consumers' Committee North Eastern Region
32. Electricity Consumers' Committee North Scotland Region
33. Electricity Consumers' Committee North West Region
34. Electricity Consumers' Committee South East Region
35. Electricity Consumers' Committee South West Region
36. Electricity Consumers' Committee Yorkshire Region
37. Elf Gas and Power Ltd
38. Energy Action Scotland
39. Energy Division BRE
40. Energy Efficiency Advice Centre
41. Energy Efficiency Advice Centre
42. Energy Efficiency Partnership for Homes
43. Energy Efficiency Partnership for Homes
44. Energy Saving Trust
45. Gas Consumers Council
46. Green Alliance
47. GTC Consultants
48. Health and Safety Executive
49. Heatex Quality Insulation

50. Helen Brinton MP
51. Independent Energy UK Limited
52. InstaFoam & Fibre Limited
53. Institute of Domestic Heating and Environmental Engineers
54. Insulated Render and Cladding Association Ltd
55. JPS Insulation
56. Lighting Industry Federation Ltd
57. Linda Gilroy MP
58. London Electricity plc
59. Lothain and Edinburgh Environmental Partnership
60. Mark Insulations Ltd
61. Midlands Electricity plc
62. National Cavity Insulation Association Ltd
63. National Electricity Consumers Council
64. National Power (Energy Co) Ltd
65. National Right to Fuel Campaign
66. NEA
67. NFU
68. Northern Electric
69. Northern Gas Supplies Limited
70. Norweb Energi
71. Norwich and Peterborough Building Society
72. Pilkington plc
73. PowerGen plc
74. Public Utilities Access Forum
75. Ray Sayers Insulation and Preservation
76. Rockwool Limited
77. Royal Institute of British Architects
78. RSPB
79. Scottish and Southern Energy plc
80. Scottish HECA Officers Network
81. ScottishPower
82. Seeboard
83. Society of British Gas Industries
84. Strathclyde and Central Energy Efficiency Advice Centre
85. Superglass Insulation Limited
86. Superheat (Thanet) Ltd
87. Sustainable Energy Policy Division
88. SWALEC
89. SWEB
90. Swift Services
91. The Lighting Association
92. Transco
93. Tyne Insulation Services Ltd
94. Unit Energy Ltd
95. University of Oxford
96. V N R Contracting Services Ltd
97. Viscount Home Insulation & Security Shutters
98. Warm-Space Insulation Ltd
99. West Wales Energy Efficiency Advice Centre
100. WWF-UK
101. Yorkshire & Humberside Energy Efficiency Treatments
102. Yorkshire Electricity

Appendix 2

Draft Licence Condition. Energy Efficiency Standards of Performance

1. The Director may, after consultation with the Licensee, all other Electricity Suppliers and with persons or bodies appearing to him to be representative of persons likely to be affected, from time to time:
 - (a) determine such standards of performance in connection with the promotion of the efficient use of electricity by Designated Customers as, in his opinion, ought to be achieved by the Licensee; and
 - (b) arrange for the publication, in such form and in such manner, as he considers appropriate, of the standards so determined.
2. The Licensee shall, in such form and manner and with such frequency as the Director may direct, take steps to inform its Designated Customers of:
 - (a) the standards determined under this Condition; and
 - (b) the Licensee's level of performance against those standards.
3. The Licensee shall conduct its Supply Business in the manner which it reasonably considers to be best calculated to achieve the standards of performance determined under this Condition.
4. On or before such date in each year as may be specified in a direction given by the Director, the Licensee shall furnish to the Director, as regards each standard determined under this Condition, such information with respect to the level of performance achieved by the Licensee as may be specified in the direction.
5. The Director may, in such form and manner and with such frequency as he considers appropriate, arrange for the publication of such of the information furnished to him under this Condition as it may appear to him expedient to

give to Designated Customers or potential Designated Customers of the Licensee.

6. In arranging for the publication of information by virtue of paragraph 5 the Director shall have regard to the need for excluding, so far as that is practicable:
 - (a) any matter which relates to the affairs of an individual, where publication of that matter would or might, in the opinion of the Director, seriously and prejudicially affect the interests of that individual; and
 - (b) any matter which relates to the affairs of a particular body of persons, whether corporate or unincorporate, where publication of that matter would or might, in the opinion of the Director, seriously and prejudicially affect the interests of that body.