

The Energy Efficiency Commitment 2002- 2005

Guidance to Local Authorities and Housing Associations on working with energy companies

Who is Ofgem?

Ofgem is the Office of the Gas and Electricity Markets, regulating the gas and electricity markets in Great Britain. Ofgem's aim is to bring choice and value to all gas and electricity customers by promoting competition and regulating monopolies.

What is the Energy Efficiency Commitment?

The Energy Efficiency Commitment (EEC), which began in April 2002, forms an important part of the Government's Climate Change Programme and the Fuel Poverty Strategy. It replaces the Energy Efficiency Standards of Performance, which finished in March.

The EEC, which is set by the Department of Environment Food and Rural Affairs (DEFRA), requires all major gas and electricity companies in Great Britain to improve the energy efficiency of customers' homes. Each company has an energy saving target which it must achieve between 2002 and 2005 by installing energy efficiency measures in homes. The typical types of measures are insulation, lighting, heating and appliances. At least 50 per cent of these measures must be targeted at 'priority' customers in receipt of income related benefits or tax credits. Ofgem administers the EEC on behalf of DEFRA by approving energy company's schemes and monitoring their progress against their targets.

What exactly does this mean?

- Some customers could receive up to 100 per cent grants to improve the efficiency of their homes, which could mean savings of up to £100 a year on energy bills.

- The Government has set energy companies the target of saving 62TWh over the next three years - meaning that roughly
 - 1 million homes will benefit from loft or cavity wall insulation,
 - 750,000 energy efficiency appliances will be provided,
 - 450,000 condensing gas boilers will be installed and,
 - 36million low energy lamps will be delivered to homes.


How Local Authorities and Housing Associations can benefit

The EEC provides an opportunity for Local Authorities and Housing Associations to access substantial funds for energy efficiency measures for their housing stock. Funding from energy companies can be used to set up new energy efficiency projects or to extend existing energy efficiency programmes, particularly focusing on priority customers. Energy efficiency measures such as insulation and boilers will save households money on their fuel bills and increase their level of comfort to improve their overall standard of living.

Energy companies are encouraged to provide measures through a variety of delivery routes and involving a range of project partners. This will assist them in promoting their EEC programme successfully, target the priority group and help leverage other sources of funding.

General rules on delivering the Energy Efficiency Commitment

- 50% of the total EEC energy savings must be targeted at 'priority group' customers in receipt of income related benefits or tax benefits,
- Measures can be provided to any domestic household within Great Britain,
- Households do not have to be a customer of the energy company whom they receive the measures from,
- Energy companies can provide measures to households heated by gas, electricity, coal, oil and LPG,
- Each scheme must demonstrate that it has provided energy efficiency measures on top of any existing energy efficiency measures that were already in place,
- Energy companies have flexibility over which energy efficiency measures they offer,
- Energy companies are not required to spend a fixed amount of money.



The following provides more specific information on the requirements for Local Authorities and Housing Associations when working with energy companies and reporting on their programmes.

Targeting the priority group

A key feature of this energy saving target is that 50% of the total energy savings must be met within the 'priority group'. This group is defined as those receiving one or more of the following income related benefits and not just those eligible to receive such benefits. Many of these households are expected to be tenants of Local Authorities and Housing Associations.

- Income support
- Council tax benefit
- Attendance allowance
- Industrial injuries disablement benefit
- Housing benefit
- Income based job seekers allowance
- Disabled living allowance
- War disablement pension
- Disabled persons tax credit
- Child tax credit and Working tax credit where the household income is less than £14,200

How do you qualify?

The EEC follows on from the Energy Efficiency Standards of Performance (EESoP), which was set by Ofgem. The cost of the EEC to the energy companies is expected to be three times as much as that spent under EESoP. Therefore, in order to meet their targets, it will be important for energy companies to tie in with existing energy efficiency programmes as well as devising their own.

Energy companies meet their targets by setting up energy efficiency schemes. Each of these schemes must demonstrate that they include additional measures, i.e. energy companies must show that all the work would not have been carried out without the energy company's funding. When working with Local Authorities and Housing Associations, the onus is upon energy companies linking in with existing schemes and extending them to provide additional energy efficiency measures.

Reporting

After a scheme has been completed, project partners should write to energy companies stating the percentage of recipients of measures who are in the priority group. Energy companies will then pass this information on to Ofgem. Project partners are not required to provide names and addresses of householders to Ofgem.

When energy companies work with Local Authorities and Housing Associations, they should ensure that they are providing additional measures. The Local Authority or Housing Association should write to the energy company stating that;

- the energy company's funding has provided extra energy efficiency measures which would not have gone ahead otherwise,
- the energy company's money has not replaced the funds the Local Authority or Housing Association had allocated for energy efficiency,
- funding has not been received from another energy company. This is to ensure that there is no cross subsidy from other energy companies and no double counting of measures.

This letter to the energy company, confirming the priority group and additionality, will be passed onto Ofgem for the purpose of accrediting energy savings towards the energy company's EEC target.

Next steps

If you have any queries regarding the administration of the EEC, please contact **Kate Smith on 020 7901 7488 or Emma Chetwynd on 020 7901 7476** in Ofgem's Social and Environmental Affairs team.

Local Authorities and Housing Associations are encouraged to contact energy companies to see how they can benefit from the EEC. Contact details for each company with a target are available on Ofgem's website, www.ofgem.gov.uk

Another source of information is Practical Help for Local Authorities, run by the Energy Saving Trust. This initiative offers information, support and funding for sustainable energy and environmentally friendly road transport. Their contact details are **0870 241 2089** or email info@practicalhelp.org.uk.



Promoting choice and value for all gas and electricity customers