

EEEC UPDATE

Issue 1 August 2002

What is the Energy Efficiency Commitment?

The Energy Efficiency Commitment (EEC) officially began on 1 April this year and will run until 2005.



Ofgem's Energy efficiency team

From left to right: Emma Chetwynd, Charles Hargreaves and Kate Smith

This Government scheme, which is administered by Ofgem, sets each supplier a target to save energy based on the number of domestic customers they supply. The scheme has an environmental aim, providing carbon savings under the Climate Change programme, as well as a social focus, with half of the energy savings to be targeted at the 'priority group' - households that receive income related benefits or tax credits.

Ofgem's role is to oversee suppliers' work by approving each scheme they set up and by monitoring progress. Suppliers provide quarterly reports to Ofgem to enable us to

monitor the delivery of their schemes. The first set of these reports has now been received.

As the EEC is an important part of the Government's Climate Change programme and Fuel Poverty strategy, Ofgem will be publishing quarterly updates on the progress of the scheme, for any interested party.

Eleven suppliers were set an EEC target in January. The overall target of 62TWh, which is apportioned to suppliers according to their domestic customer numbers, means 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,
- **36 million low energy lamps** will be delivered to homes

The EEC has been designed to be flexible. Suppliers will not only be accredited with gas and electricity energy savings but also savings in coal, oil and LPG. The flexibility of the programme also encourages the suppliers to explore new measures and develop new delivery routes.

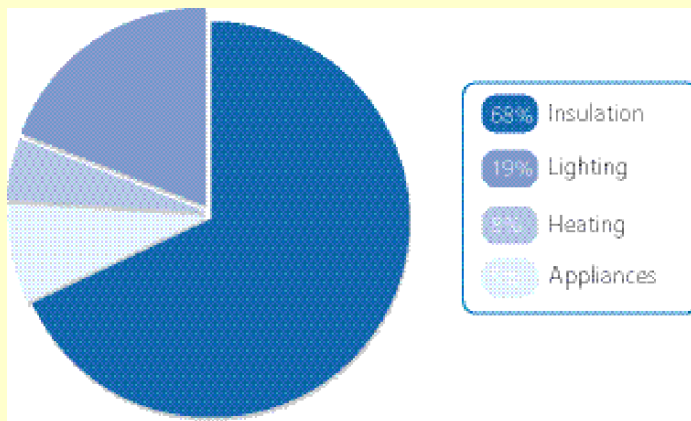


Chart 1: Approved energy savings by measure type, as a percentage of the total energy savings approved

Energy efficiency measures delivered

Suppliers began submitting energy efficiency schemes to Ofgem in February of this year. **Chart 1** gives an early indication of the measures suppliers intend to employ in meeting their energy saving targets over the course of the EEC. These planned energy savings incorporate the four main types of measure: lighting, appliances, insulation and heating. Some of these schemes are generic in nature and are planned to run until the end of the EEC. Others are trialling innovative measures or new marketing methods and are therefore only expected to last several months initially.

The actual delivery of these schemes is monitored through the quarterly returns, which show that measures equating to 1,952 GWh in energy savings have been installed or delivered. As an indication, the overall target of 62TWh entails suppliers installing or delivering an

average of just over 5,000 GWh of energy savings every quarter of the EEC. The fact that suppliers are beneath the average in the first quarter is a result of several different factors. The first, and foremost, is that the EEC requires suppliers to undergo a large step change in the level of activity expected from them compared to that under the Energy Efficiency Standards of Performance. The second is because of this large change, suppliers have required more time to plan their work and it would be a fair reflection to say that not all suppliers are operating at the full capacity yet. The final point is that these requirements on energy suppliers depend upon the capacity of the manufacturers and suppliers of energy efficiency products and services. These organisations will also need time to react. The proportion of energy savings, by type of measure, delivered up until the end of June is shown in **Chart 2**.

It can be seen that the delivery of heating and insulation measures so far is lower than the suppliers' expectation of the outturn of their work. This data suggests that it is harder for the suppliers to promote and install insulation measures during the summer months and as a result suppliers' work at this stage appears to be concentrating on energy efficient lighting and appliances.

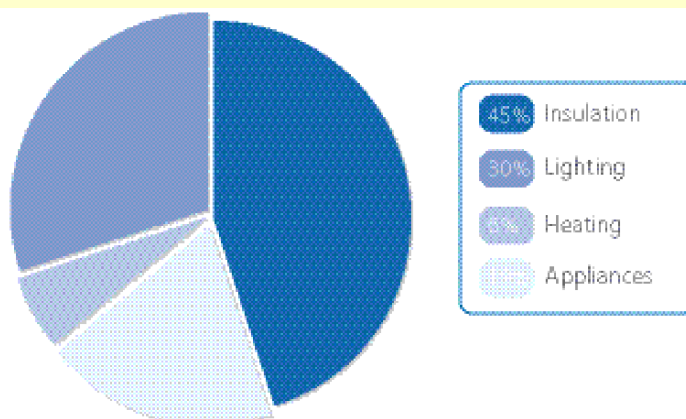


Chart 2: Delivered energy savings by measure type, as a percentage of the total energy savings achieved

Priority and non-priority schemes

Chart 3 shows that suppliers' initial schemes are slightly more focused on delivering measures to the non-priority group. This may emphasise the fact that the suppliers are finding the tighter definition of the priority group in the EEC harder to target compared with that used under the EESoP programme, which included pensioners and rural customers. Suppliers are expected to deliver the majority of priority work in partnership with Local Authorities and

Housing Associations to effectively target the priority group and leverage extra funding. The initial insulation and heating work may therefore focus upon the non-priority group whilst suppliers set up partnerships with Local Authorities and Housing Associations.

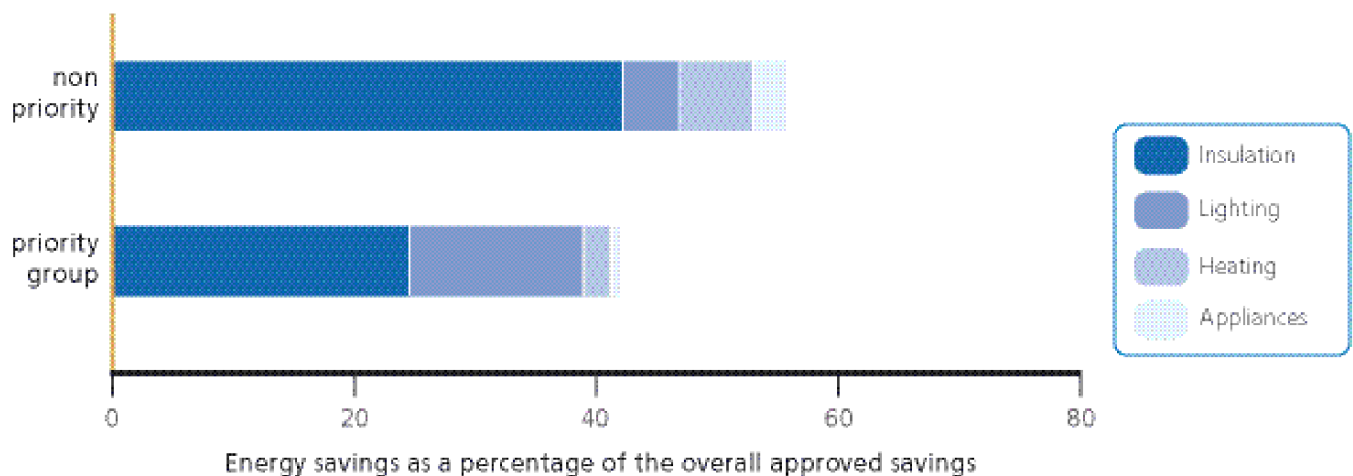


Chart 3: Energy efficiency measures for the priority and non-priority groups, as a percentage of the overall approved energy savings

Energy efficiency measures

Chart 1 opposite shows the measure groups which suppliers are planning to offer. The following table shows a more detailed breakdown of the measures that Ofgem has approved.

The increased flexibility suppliers have in meeting their energy saving targets has led to an interest in the development of new energy saving technologies, such as micro-CHP. Ofgem is happy to be involved in suppliers' work on new and innovative products in order to understand how they can be incorporated into the EEC and to ensure that there is robust information available to determine the energy savings under the EEC.

Lighting	CFLs (stick CFLs and decorative bulbs) Luminaires (dedicated CFL fittings)
Insulation	Cavity wall insulation Loft insulation Solid wall insulation Draught-proofing Hot water tank insulation Radiator panels
Heating	Boilers Boilers with heating controls Solar water heating
Appliances	Cold appliances (fridges and freezers) Wet appliances (dishwashers and washing machines)

Other EEC work areas

Ofgem has recently issued a paper to the Minister of State for Energy and Construction, which coordinates suppliers' views on domestic energy efficiency.

This followed a high level meeting set up by the DTI in April to discuss the future role of energy suppliers with regard to energy efficiency. The suppliers highlighted their support for the energy efficiency schemes and commented upon the short and long term issues regarding domestic energy efficiency.

We have just produced a factsheet to provide guidance to Local Authorities and Housing Associations on working

with suppliers under the EEC. We are also finalising a guidance document for suppliers on working with Local Authorities and Housing Associations and on integrating their schemes with other Government programmes, namely Warm Front, Welsh HEES, Warm Deal, the Scottish Central Heating programme and Community Energy. Also, we are finalising an update of the guidance to suppliers on the regulatory aspects of energy services.

These documents can be viewed at www.ofgem.gov.uk

Energy efficiency team



Contact details

Charles Hargreaves Head of Energy Efficiency

Tel 020 7901 7459

Email charles.hargreaves@ofgem.gov.uk

Kate Smith

Environmental Affairs Manager

Tel 020 7901 7488

Email katharine.smith@ofgem.gov.uk

Emma Chetwynd

Assistant Manager Energy Efficiency

Tel 020 7901 7476

Email emma.chetwynd@ofgem.gov.uk

A list of suppliers with an EEC target can be viewed at www.ofgem.gov.uk

If you would like to be added to, or removed from the circulation list for this EEC quarterly update, please email Emma Chetwynd.

Ofgem is the Office of Gas and Electricity Markets, regulating the gas and electricity industries in Great Britain.

Everything Ofgem does is designed to protect and advance the interests of consumers present and future.

We do this by

- promoting effective competition, wherever appropriate
- regulating only where necessary

