

EEEC UPDATE

Issue 5 August 2003

Energy Efficiency Commitment key facts:

- **Over a third of the suppliers' overall energy saving target has been achieved so far**
- **For the third consecutive quarter, suppliers have installed measures representing 5Terra Watt hours (TWh) of energy savings**
- **Just under 50% of the energy savings are from measures delivered to Priority Group households**



Virginia Graham talking to Derek Baggs, Electricity Association and Richard Grant, Transco

Progress from the last quarter

The EEC (2002 -2005) requires energy suppliers to save 62TWh of energy, by providing energy efficiency measures to households across Great Britain.

To recognise the social benefits of energy efficiency, 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.

Suppliers are now well into the second year of the programme and delivered 5.2TWh of energy savings between April and June 2003. This is the third consecutive quarter that the suppliers have delivered over 5TWh - the indicative quarterly rate of installations required to meet the overall target by 1st April 2005.

Suppliers use four main types of energy efficiency measures to meet their targets including insulation, heating, appliances and lighting. Chart 1 (overleaf) illustrates how the

split of measures has changed over the past 5 quarters to date.

Insulation measures continue to account for over 60% of the energy savings achieved and, whilst at a lower level than during the winter months (October 2002 through to March 2003), the energy savings achieved are comparable to previous quarters.

This possibly indicates that the EEC is helping to smooth the cyclical demand for insulation measures,

particularly cavity wall and loft insulation. It will be interesting to see if the rate of installations is maintained during the next summer quarter of the programme.

The energy savings from low energy lamps sold or distributed for free to customers are the highest yet achieved during a three-month period, in contrast to those resulting from heating measures, which have more than halved since the last quarter.

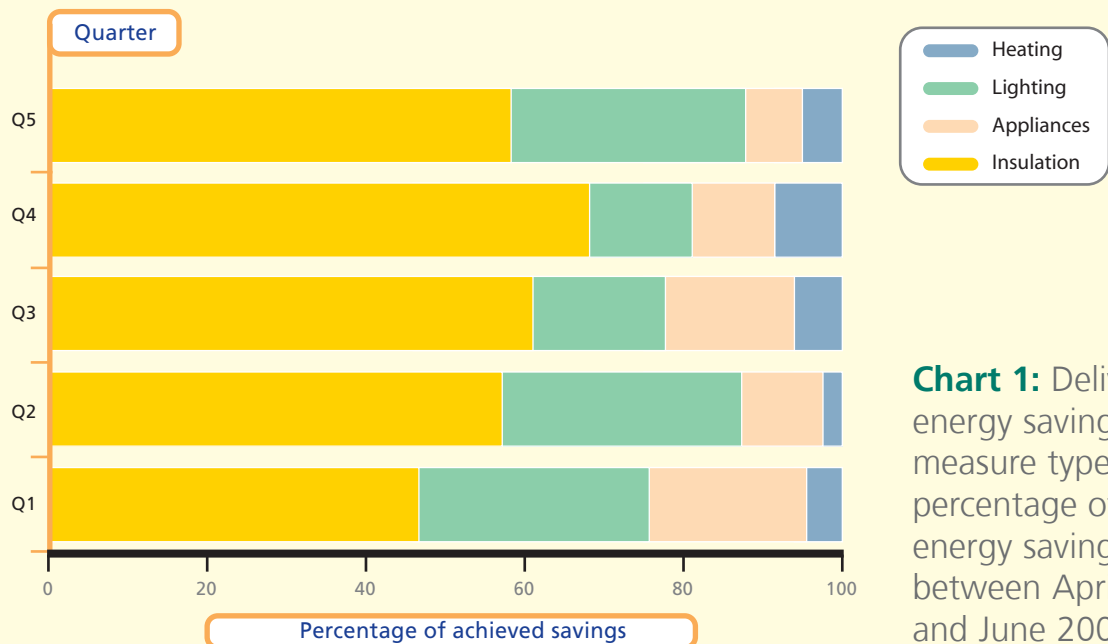


Chart 1: Delivered energy savings by measure type as a percentage of the total energy savings achieved between April 2002 and June 2003

The energy savings from cold and wet appliances have also decreased. The majority of appliances are being sold in conjunction with retail partners as part of schemes which "incentivise" the householder to buy an A-rated model, or encourage the householder to "trade-in" their old, inefficient appliance for a subsidised A-rated equivalent.

The number of measures sold during a quarter, and the resulting energy savings, will be heavily dependant upon the timing of in-store and external press marketing campaigns. The reduced energy savings achieved over the last quarter could reflect fewer promotion periods during the spring months.

Energy services update

Measures delivered as part of a specified 'energy services' package will be accredited with a 50% uplift in energy savings, to a maximum of 10% of the overall target. To date, around 5% of the total achieved savings result from energy services activity.

Priority Group

Chart 2 shows that suppliers are closing the gap between the percentage of the energy savings achieved in non-Priority and Priority households. Energy savings from measures installed in the Priority group have increased from 42% at the beginning of the programme to 47% in the last quarter.

Suppliers will be delivering the majority of measures to Priority Group customers through partnerships with Social Housing Providers (SHPs). The gradual increase in Priority Group activity indicates that, following an initial period of scheme development and forming partnerships with SHPs, the suppliers are now installing increasing numbers of measures in Priority customers' homes.

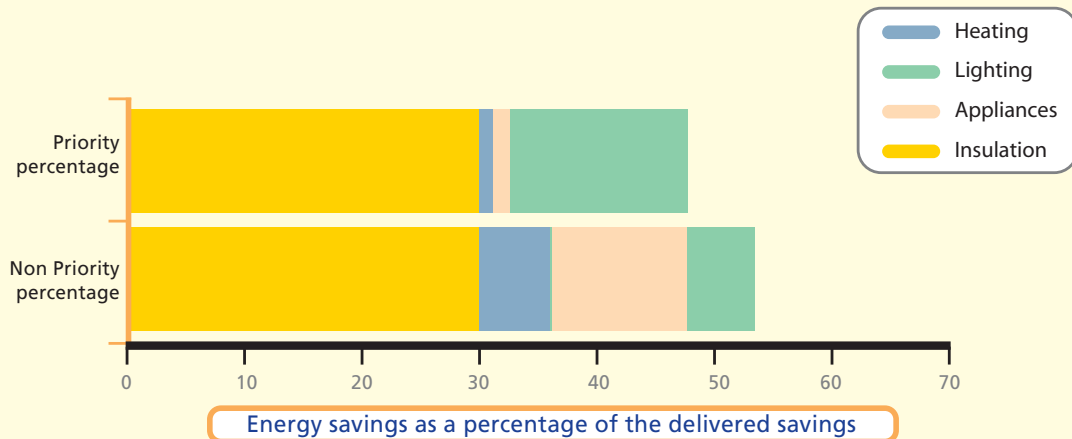
An equal amount of energy has been saved from insulation measures installed in Priority and non-Priority households. The vast amount of the appliance and

heating measures have been delivered in the non-Priority Group, whereas considerably more low energy lamps have been fitted in Priority households than in non-Priority households.

The difference in the Priority and non-Priority lighting savings reflects the different delivery mechanisms suppliers are using for the two groups. Suppliers are encouraging the take-up of Compact Fluorescent Lamps (CFLs) within non-Priority households by promoting subsidised bulbs through mail-order schemes or offering lamps free with insulation and heating measures.

In comparison, the majority of Priority CFLs have been provided free of charge and distributed by charitable bodies, such as Age Concern and Help the Aged. This second route allows CFLs to be delivered in bulk, up to a maximum of 4 lamps per household.

Chart 2: Energy efficiency measures for the Priority and non-Priority Groups, as a percentage of the overall delivered energy savings



Energy Efficiency Summit

As part of its role in administering the EEC, Ofgem has a duty to report to the Secretary of State for the Environment, Food and Rural Affairs each year of the EEC.

To mark the publication of the first report, together with the publication of a joint Ofgem and Energy Saving Trust review of the Energy Efficiency Standards of Performance (EESoP), Ofgem held an Energy Efficiency Summit on the 1st August 2003.



Lesley Davies, energywatch talking to John Neilson



Charles Hargreaves presenting the lessons learnt from the EESoP programmes

The event was well attended by fifty key players in the energy efficiency arena including the energy suppliers, other government departments and a range of other interested parties.

The summit was split into two sessions - the first featured presentations by James Russill and Dan Staniaszek of the Energy Saving Trust and provided an overview of the achievements of the three EESoP programmes (1994-2002) and the results of the monitoring undertaken during the schemes. Richard Sykes of EDF Energy shared Seeboard's perspective of the EESoP and EEC programmes.

The second session focused upon the EEC. Charles Hargreaves and Kate Smith covered the lessons learnt from the three EESoP programmes and outlined the suppliers' progress during the first year of the EEC.

Iris Rooney of Defra, concluded the session by setting the context of the EEC and its role in future energy efficiency policy.

Headline facts and figures from the two reports can be found on the back page of this Update.

Headline facts and figures

EEC Report

- More than a quarter of the overall energy efficiency target for 2002-2005 has been met in the first year.
- Insulation accounts for 60% of the energy savings, with a further 20% from lighting. Around 300,000 lofts and cavity walls have been insulated in the first year.
- Suppliers' initial activity has been slightly more focused at delivering energy savings to non-Priority customers than Priority customers. Over the next two years, suppliers will have to focus their efforts to ensure that the Priority group target is met.

EESoP Review

The Energy Efficiency Standards of Performance (EESoP) programme ran from 1994-998 (EESoP 1), 1998-2000 (EESoP2), and 2000-2002 (EESoP 3). During the eight years, the suppliers:

- Demonstrated that energy efficiency targets could be met and exceeded
- Delivered 4.4 million tonnes of carbon reduction
- Delivered energy savings that benefited more than 4.5 million households, with financial savings worth on average £120 per household over the lifetime of the energy efficiency measure.

Copies of the two reports, "A review of the Energy Efficiency Standards of Performance 1994 - 2002" and "A review of the first year of the Energy Efficiency Commitment - A report for the Secretary of State for Environment, Food and Rural Affairs" and the presentations from the Energy Efficiency Summit can be downloaded at www.ofgem.gov.uk

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